

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Lenawee County	County Lenawee
Audit Date December 31, 2004	Opinion Date March 11, 2005	Date Accountant Report Submitted to State: May 6, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

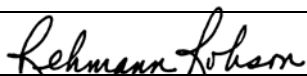
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			



**Audited Financial Statements  
and  
Single Audit Act Compliance**

**For The Year Ended  
December 31, 2004**



**REHMANN ROBSON**

*Certified Public Accountants*

# COUNTY OF LENAWE, MICHIGAN

## TABLE OF CONTENTS

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	<u>PAGE</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	15
Statement of Activities.....	16-17
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	18
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund.....	22
Health Department .....	23
Statement of Net Assets – Proprietary Funds .....	24
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	25
Statement of Cash Flows – Proprietary Funds.....	26-27
Statement of Fiduciary Net Assets – Agency Funds.....	28
Notes to the Financial Statements .....	29-51
Required Supplementary Information:	
GASB Statement #25 .....	52-54
Combining and Individual Fund Financial Statements and Schedules:	
General Fund – Detail Schedule of Revenue, Expenditures and Changes in Fund Balance – Amended Budget and Actual .....	55-61
Combining Balance Sheet – Nonmajor Governmental Funds .....	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	63
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	64-67
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Special Revenue Funds.....	68-71
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	72

# COUNTY OF LENAWEЕ, MICHIGAN

## TABLE OF CONTENTS (Concluded)

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	<u>PAGE</u>
Combining and Individual Fund Statements and Schedules: (Concluded)	
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Capital Projects Funds .....	73
Combining Statement of Net Assets – Nonmajor Enterprise Funds .....	74
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds .....	75
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	76-77
Combining Balance Sheet – All Agency Funds .....	78
 <b>SINGLE AUDIT ACT COMPLIANCE</b>	
 Schedule of Expenditures of Federal Awards .....	79-81
Notes to the Schedule of Expenditures of Federal Awards .....	82
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Primary Government Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	83-84
Independent Auditors’ Report on Compliance with Requirements Applicable to Major Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	85-86
Schedule of Findings and Questioned Costs .....	87-88

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## INDEPENDENT AUDITORS' REPORT

March 11, 2005

Board of Commissioners  
County of Lenawee, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **COUNTY OF LENAWEE, MICHIGAN**, as of and for the year ended December 31, 2004, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical Care Facility Enterprise Fund which is a major fund, and therefore, a separate opinion unit. In addition, the Medical Care Facility represents 26% and 79% of the business-type activity assets and program revenues, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Medical Care Facility, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the County of Lenawee, Michigan, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the County of Lenawee, Michigan, as of December 31, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the County of Lenawee, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General and County Health Department funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2005, on our consideration of the ***County of Lenawee, Michigan's*** internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and GASB Statement 25 supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the County's primary government. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly presented in all material respects in relation to the basic financial statements of the primary government taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

# **Management's Discussion and Analysis**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lenawee County, Michigan we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004.

### **Financial Highlights**

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$60,754,430 (*net assets*). Of this amount, \$24,316,484 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$8,088,946 during 2004.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$17,219,025, an increase of \$1,199,629 in comparison with the prior year primarily due to the creation of the revenue sharing reserve fund and accounting changes in recording current property tax collections with the property tax shift. The unreserved portion of the fund balance that is designated for future expenditures is \$3,376,155. The unreserved undesignated fund balance is \$12,201,918.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,325,305, or approximately 34 percent of total general fund expenditures. Total fund balance for the general fund was \$6,750,305.
- The County's total general obligation bond debt increased by \$465,000 during the current fiscal year.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Lenawee County's basic financial statements. Lenawee County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



## **Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, health, social and youth services, public works, and community culture and recreation. The business-type activities of the County include delinquent tax collections and property foreclosures.

The government-wide financial statements do not include two legally separate authorities: the Lenawee County Drain Commission and the Lenawee County Road Commission – for which the County is financially accountable. Financial information for these *component units* are reported in financial statements separate from the financial information presented for the primary government itself. Component unit financial statements may be obtained from the individual commissions. The Lenawee County Building Authority, although also legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

## **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental funds.*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains thirty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, and Health Department funds, both of which are considered to be major funds. Data from the other thirty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

***Proprietary funds.*** The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax operations and property foreclosures. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its general office supplies for all departments. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the delinquent tax operations, the Human Services Building, and the Medical Care Facility, each of which is considered to be a major fund of the County. Conversely, all internal service functions are presented as a single fund in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 28 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-51 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 52-54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 55-78 of this report.

## **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County of Lenawee, assets exceeded liabilities by \$60,754,430 at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (42 percent) reflects its investment in capital assets (i.e., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities

## Lenawee County's Net Assets

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b><u>activities</u></b>		<b><u>activities</u></b>			
	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Current and other assets	\$ 29,984,430	\$ 32,089,849	\$ 18,962,928	\$ 17,921,379	\$ 48,947,358	\$ 50,011,228
Capital assets	19,912,571	14,383,007	15,986,662	16,298,075	35,899,233	30,681,082
<b>Total assets</b>	<b>49,897,001</b>	<b>46,472,856</b>	<b>96,369,857</b>	<b>34,219,454</b>	<b>84,846,591</b>	<b>80,692,310</b>
Long-term liabilities outstanding	6,464,176	6,726,361	4,705,000	3,915,000	11,169,176	10,641,361
Other liabilities	11,757,252	15,198,488	1,165,733	2,186,977	12,922,985	17,385,465
<b>Total liabilities</b>	<b>18,221,428</b>	<b>21,924,849</b>	<b>5,870,733</b>	<b>6,101,977</b>	<b>24,092,161</b>	<b>28,026,826</b>
Net assets:						
Invested in capital assets, net of related debt	14,385,613	14,020,830	11,281,662	10,975,988	25,667,275	24,996,818
Restricted	10,260,133	1,863,894	510,538	506,840	10,770,671	2,370,734
Unrestricted	7,029,827	8,663,283	17,286,657	16,634,649	24,316,484	25,297,932
<b>Total net assets</b>	<b>\$ 31,675,573</b>	<b>\$ 24,548,007</b>	<b>\$ 29,078,857</b>	<b>\$ 28,117,477</b>	<b>\$ 60,754,430</b>	<b>\$ 52,665,484</b>

A portion of the County's net assets (18 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$24,316,484 (40 percent), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The General Fund reported a carryover of \$1,406,535. The total assets of the Delinquent Tax Fund decreased by \$776,289. The majority of the remaining funds had an increase in net assets with the Medical Care Facility recording the largest increase of nearly \$1.2 million.

## Lenawee County's Changes in Net Assets

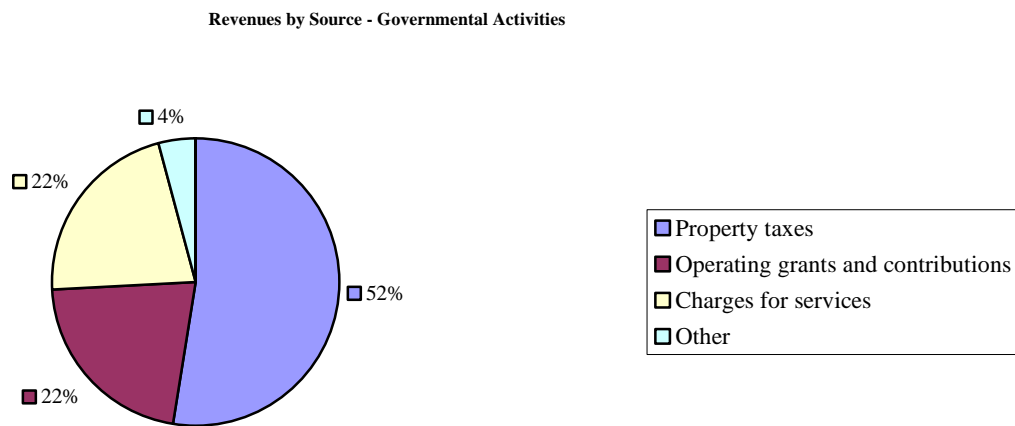
	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
Revenue:						
Program revenue:						
Charges for services	\$ 8,253,572	\$ 7,156,436	\$10,872,351	\$ 10,203,369	\$19,125,923	\$ 17,359,805
Operating grants and contributions	8,270,709	9,124,298	148,760	1,955,584	8,419,469	11,079,882
Capital grants and contributions						
General revenue:						
Property taxes	19,995,539	14,261,029	-	-	19,995,539	14,261,029
Unrestricted investment earnings	324,221	247,942	670,876	971,285	995,097	1,219,227
Other Revenue	1,269,081	2,141,948	-	-	1,269,081	2,141,948
Gain on sale of capital assets	13,800	27,539	-	-	13,800	27,539
Total revenue	<u>38,126,922</u>	<u>32,959,192</u>	<u>11,691,987</u>	<u>13,130,238</u>	<u>49,818,909</u>	<u>46,089,430</u>
Expenses:						
General government	4,913,576	5,229,337	-	-	4,913,576	5,229,337
Public safety	8,245,089	7,912,273	-	-	8,245,089	7,912,273
Public works	187,935	159,733	-	-	187,935	159,733
Legislative	216,458	215,333	-	-	216,458	215,333
Judicial	5,803,895	5,442,791	-	-	5,803,895	5,442,791
Health and welfare	9,905,102	10,068,977	-	-	9,905,102	10,068,977
Community enrichment & development	2,548,384	2,617,170	-	-	2,548,384	2,617,170
Interest on bonds	183,155	124,188	-	-	183,155	124,188
Medical Care Facility	-	-	8,130,050	8,131,415	8,130,050	8,131,415
Airport	-	-	259,913	207,105	259,913	207,105
Human Services Building Operations	-	-	825,138	803,987	825,138	803,987
Summer Tax Administration	-	-	90,315	100,814	90,315	100,814
Delinquent Tax Admin/Revolving	-	-	132,261	230	132,261	230
Equalization assessment services	-	-	236,004	147,244	236,004	147,244
Business Loan Revolving	-	-	2,336	1,562	2,336	1,562
Total expenses	<u>32,003,594</u>	<u>31,769,802</u>	<u>9,676,017</u>	<u>9,392,357</u>	<u>41,679,611</u>	<u>41,162,159</u>
Increase in net assets before transfers	6,123,328	1,189,390	2,015,970	3,737,881	8,139,298	4,927,271
Transfers	<u>1,004,238</u>	<u>(31,550)</u>	<u>(1,054,590)</u>	<u>56,094</u>	<u>(50,352)</u>	<u>24,544</u>
Increase in net assets	7,127,566	1,157,840	961,380	3,793,975	8,088,946	4,951,815
Net assets - beginning of year	<u>24,548,007</u>	<u>23,390,167</u>	<u>28,117,477</u>	<u>24,323,502</u>	<u>52,665,484</u>	<u>47,713,669</u>
Net assets - end of year	<u><b>\$31,675,573</b></u>	<u><b>\$24,548,007</b></u>	<u><b>\$29,078,857</b></u>	<u><b>\$ 28,117,477</b></u>	<u><b>\$60,754,430</b></u>	<u><b>\$52,665,484</b></u>

**Governmental activities.** Governmental activities increased the County’s net assets by \$7,127,566, while business type activities increased the net assets by \$961,380. Key elements of these increases are as follows:

- Property taxes increased by approximately \$5,734,510 during the year. Most of this increase is due to the change in the State Property Tax Shift, and the creation of the Revenue Sharing Reserve Fund.
- Charges for services and operating grants and contributions increased by approximately \$243,547 (1 percent) during the year, but state revenue declined due mainly to the decrease in state revenue sharing.
- Interest earnings increased during the year by \$76,279 (31 percent) due to recovering interest rates.
- Expenditures remained at roughly the same rate as the previous year due to numerous budgetary restrictions and constraints.

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### Revenues by Source - Governmental Activities



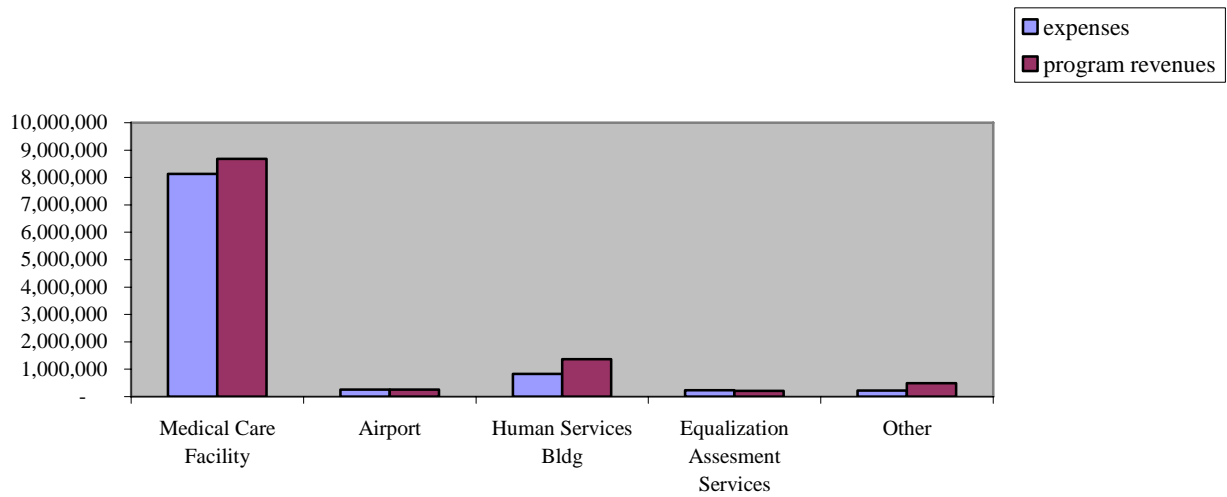
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**Business-type activities.** Business-type activities increased the County’s net assets by \$961,380, accounting for 12 percent of the total growth in the government’s net assets for the current year. Key elements of this increase are as follows:

- Capital grants to the County Airport for \$148,760 were used to acquire and ready real property as part of the airport expansion.

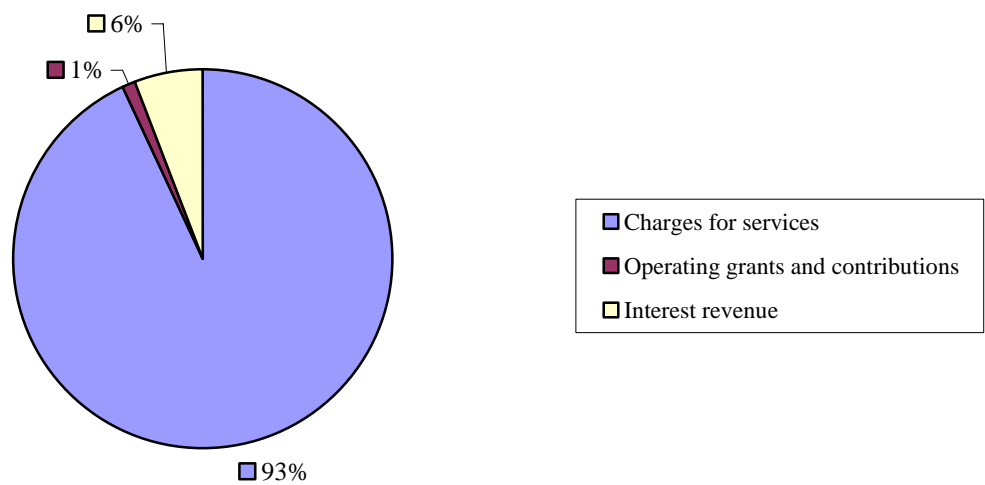
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## Expenses and Program Revenues - Business-type Activities



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## Revenues by Source - Business-type Activities



## **Financial Analysis of the Government's Funds**

As noted earlier, Lenawee County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental funds.*** The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$17,219,025. Just over half of this total amount (\$12.2 million) constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. \$3.38 million is unreserved, but designated for future expenditures. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) reserved for County Health programs (\$1.2 million) and 2) for long-term advances (\$225,000).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$6,325,305, while total fund balance was \$6,750,305. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 34 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$1,406,535 during the current fiscal year. This is primarily attributed to increased revenue through the Register of Deeds Office as properties were refinanced at lower interest rates, higher than anticipated revenue generated through court costs and continued efforts to control expenditures.

The county health fund has a total fund balance of \$1,419,841, which decreased by \$96,390 during the year. Approximately 14% of the fund balance is unreserved/undesignated with the balance earmarked for programs.

***Proprietary funds.*** The County's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the delinquent tax, building authority, medical care facility, and airport funds at the end of the year amounted to \$12,808,760, \$2,699,497, \$7,105,876, and \$4,680,551, respectively. Nonmajor enterprise funds had \$1,784,173. Other factors concerning the finances of these two funds have already been addressed in the discussion of the County's business-type activities.



## **General Fund Budgetary Highlights**

The difference between budgeted and actual expenditures was almost eight percent less than the final budget, (a \$1,510,783 decrease) and can be briefly summarized as follows:

- \$152,218 in judicial decreases
- \$212,703 in general support services decreases
- \$925,040 in general government decreases
- \$141,278 in public safety decreases
- \$ 79,544 in other miscellaneous areas

## **Capital Asset and Debt Administration**

**Capital assets.** The County's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounted to \$35,899,233 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and furniture, and vehicles. The total increase in the County's investment in capital assets for the current fiscal year was \$5.2 million.

Major capital asset events during the current fiscal year included the following:

- Construction in Progress (Jail Construction) \$5,933,388
- Land acquisitions and improvements of \$155,317
- Various equipment and furniture purchases

### **Lenawee County's Capital Assets (net of depreciation)**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Land and Land Improvements	\$ 2,308,910	\$ 2,302,353	\$ 4,787,504	\$ 4,956,254	\$ 7,096,414	\$ 7,258,607
Buildings and improvements	6,094,128	6,314,223	10,103,383	10,237,931	16,197,511	16,552,154
Vehicles	483,503	535,288	9,155	10,569	492,658	545,857
Equipment and furniture	812,757	951,258	1,086,620	1,093,321	1,899,377	2,044,579
Construction in Progress	10,213,273	4,279,885	-	-	10,213,273	4,279,885
<b>Total</b>	<b><u>\$19,912,571</u></b>	<b><u>\$14,383,007</u></b>	<b><u>\$15,986,662</u></b>	<b><u>\$16,298,075</u></b>	<b><u>\$35,899,233</u></b>	<b><u>\$30,681,082</u></b>

Additional information on the County's capital assets can be found in note III.C on pages 40-41 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had total bonded debt outstanding of \$10,410,000.

### Lenawee County's Outstanding Debt General Obligation Bonds

	<u>Governmental</u> <u>activities</u>		<u>Business-type</u> <u>activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General obligation bonds	<u>\$ 5,705,000</u>	<u>\$ 6,030,000</u>	<u>\$ 4,705,000</u>	<u>\$ 3,915,000</u>	<u>\$ 10,410,000</u>	<u>\$ 9,945,000</u>

The County's total general obligation bonds increased by \$465,000 during the current fiscal year. During the current fiscal year, the County obtained new bonds for refinancing the Medical Care Facility construction project.

The County is contingently liable for long-term bonds of various municipal and sewerage districts for a total of \$19.36 million.

A significant portion of the County's debt activity occurs in the County's Internal Loan Fund (operating like a bank) and involving short, intermediate and long-term debt.

The County has an "A2" rating for bonds from Moody's. The County has an "A" rating from Standard & Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e. State Equalized Value). The current debt limitation for the County is \$362,901,859, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note III.F on pages 43-45 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the County's budget for the 2005 fiscal year:

- The unemployment rate for the County is currently 8.2 percent (Feb. 2005), which is an increase from the average rate of 7.1 percent for 2004. This compares with the state's unemployment rate of 7.5 percent (March 2005) and the current national rate of 5.2 percent (March 2005).

- Projections for continued growth in taxable value of real and personal property.
- Elimination of state revenue sharing (approximately \$1.8 million) and the initiation of a shift in the collection of property taxes from December to July phased in over a three year period.
- Establishment of a revenue sharing reserve fund (RSRF) through transfers from current property taxes. Commencement of scheduled transfers to general fund from RSRF to partially offset loss of state revenue sharing.

During the current fiscal year, unreserved fund balance in the general fund increased to \$6.33 million. The County has appropriated \$2,545,077 of this amount for spending in the 2005 fiscal year budgets. It is intended that this use of available fund balance will avoid the need to substantially reduce services during the 2005 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lenawee County Administrator's Office, 301 North Main Street, Adrian, Michigan 49221.

# **Basic Financial Statements**

# **Government-wide Financial Statements**

**LENAWEE COUNTY, MICHIGAN**  
**Statement of Net Assets**  
**December 31, 2004**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 13,382,863	\$ 14,876,432	\$ 28,259,295
Receivables	15,145,447	3,749,863	18,895,310
Inventory, prepaids, and other assets	1,456,120	336,633	1,792,753
Capital assets not being depreciated	12,522,183	4,002,251	16,524,434
Capital assets being depreciated, net	7,390,388	11,984,411	19,374,799
<b>Total assets</b>	<b>49,897,001</b>	<b>34,949,590</b>	<b>84,846,591</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,516,803	655,494	2,172,297
Unearned revenue	10,240,449	510,239	10,750,688
Noncurrent liabilities:			
Due within one year	325,000	765,000	1,090,000
Due in more than one year	6,139,176	3,940,000	10,079,176
<b>Total liabilities</b>	<b>18,221,428</b>	<b>5,870,733</b>	<b>24,092,161</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	14,385,613	11,281,662	25,667,275
Restricted for:			
Debt service	1,553,780	-	1,553,780
Other purposes	8,706,353	510,538	9,216,891
Unrestricted	7,029,827	17,286,657	24,316,484
<b>Total net assets</b>	<b>\$ 31,675,573</b>	<b>\$ 29,078,857</b>	<b>\$ 60,754,430</b>

The accompanying notes are an integral part of these financial statements.

**LENAWEE COUNTY, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended December 31, 2004**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary government</b>				
Governmental activities:				
General government	\$ 4,913,576	\$ 1,440,156	\$ 351,340	\$ (3,122,080)
Legislative	216,458	-	-	(216,458)
Judicial	5,803,895	2,688,247	2,899,854	(215,794)
Public safety	8,245,089	1,081,356	603,197	(6,560,536)
Public works	187,935	4,944	27,284	(155,707)
Health and welfare	9,905,102	1,467,212	4,213,351	(4,224,539)
Community enrichment & development	2,548,384	1,571,657	175,683	(801,044)
Interest on bonds	183,155	-	-	(183,155)
Total governmental activities	<u>32,003,594</u>	<u>8,253,572</u>	<u>8,270,709</u>	<u>(15,479,313)</u>
Business-type activities:				
Medical Care Facility	8,130,050	8,682,232	-	552,182
Airport	259,913	112,433	148,760	1,280
Human Services Building Operations	825,138	1,372,450	-	547,312
Summer Tax Administration	90,315	70,265	-	(20,050)
Delinquent Tax Admin/Revolving	132,261	369,116	-	236,855
Equalization assesment services	236,004	215,415	-	(20,589)
Business Loan Revolving	2,336	50,440	-	48,104
Total business-type activities	<u>9,676,017</u>	<u>10,872,351</u>	<u>148,760</u>	<u>1,345,094</u>
Total primary government	<u>\$ 41,679,611</u>	<u>\$ 19,125,923</u>	<u>\$ 8,419,469</u>	<u>\$ (14,134,219)</u>

continued...

**LENAWEE COUNTY, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended December 31, 2004**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Changes in net assets</b>			
Net (expense) revenue	\$ (15,479,313)	\$ 1,345,094	\$ (14,134,219)
General revenues:			
Property taxes	19,995,539	-	19,995,539
Unrestricted investment earnings	324,221	670,876	995,097
Other revenue	1,269,081	-	1,269,081
Gain on sale of capital assets	13,800	-	13,800
Transfers - internal activities	1,004,238	(1,054,590)	(50,352)
Total general revenues and transfers	22,606,879	(383,714)	22,223,165
Change in net assets	7,127,566	961,380	8,088,946
Net assets, beginning of year, as restated	24,548,007	28,117,477	52,665,484
<b>Net assets, end of year</b>	<b>\$ 31,675,573</b>	<b>\$ 29,078,857</b>	<b>\$ 60,754,430</b>

The accompanying notes are an integral part of these financial statements.



## **Fund Financial Statements**

# LENAWEE COUNTY, MICHIGAN

## Balance Sheet Governmental Funds December 31, 2004

	General	221 County Health	285 Revenue Sharing Reserve	466 Building Authority Capital Projects-Jail	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 6,374,443	\$ 703,328	\$ 545,072	\$ 670,756	\$ 4,767,662	\$ 13,061,261
Deposits and escrow	-	832,737	-	-	-	832,737
Taxes receivable	12,807,391	-	-	-	491,704	13,299,095
Accounts receivable - general	91,400	213,752	-	-	167,612	472,764
Due from other governmental units	541,524	-	-	-	607,064	1,148,588
Interfund receivable	21,176	-	-	-	-	21,176
Due from other funds	-	-	3,411,270	-	-	3,411,270
Advance to component unit	225,000	-	-	-	-	225,000
<b><u>TOTAL ASSETS</u></b>	<b>\$ 20,060,934</b>	<b>\$ 1,749,817</b>	<b>\$ 3,956,342</b>	<b>\$ 670,756</b>	<b>\$ 6,034,042</b>	<b>\$ 32,471,891</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities</b>						
Accounts and contracts payable	\$ 186,749	\$ 78,210	\$ -	\$ 492,714	\$ 134,802	\$ 892,475
Accrued wages and benefits	254,202	63,239	-	-	164,981	482,422
Interfund payable	-	-	-	-	21,176	21,176
Due to other funds	3,411,270	-	-	-	-	3,411,270
Deferred revenue	9,458,408	188,527	-	-	693,838	10,340,773
Other liabilities	-	-	-	-	43,750	43,750
Deposits and trust monies held	-	-	-	-	61,000	61,000
Total liabilities	13,310,629	329,976	-	492,714	1,119,547	15,252,866
<b>Fund balances</b>						
Reserved for programs	200,000	1,215,952	-	-	-	1,415,952
Reserved for long-term advances	225,000	-	-	-	-	225,000
Unreserved - designated for future expenditures	2,545,077	152,454	-	-	-	2,697,531
Reported in nonmajor special revenue funds	-	-	-	-	358,624	358,624
Reported in nonmajor capital project funds	-	-	-	-	320,000	320,000
Unreserved - undesignated	3,780,228	51,435	3,956,342	178,042	-	7,966,047
Reported in nonmajor special revenue funds	-	-	-	-	2,353,616	2,353,616
Reported in nonmajor debt service funds	-	-	-	-	1,583,632	1,583,632
Reported in nonmajor capital project funds	-	-	-	-	298,623	298,623
Total fund balances	6,750,305	1,419,841	3,956,342	178,042	4,914,495	17,219,025
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 20,060,934</b>	<b>\$ 1,749,817</b>	<b>\$ 3,956,342</b>	<b>\$ 670,756</b>	<b>\$ 6,034,042</b>	<b>\$ 32,471,891</b>

The accompanying notes are an integral part of these financial statements.

**LENAWEE COUNTY, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**December 31, 2004**

Fund balances - total governmental funds	\$ 17,219,025
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets, net of accumulated depreciation	19,912,571
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance

Add - long-term receivables included in deferred revenue	100,324
--	---------

Governmental funds report expenditures equal to amounts contributed to defined benefit pension plans. However, in the statement of activities, net pension costs are equal to actuarially determined net pension costs. Differences between actuarially determined net pension costs and annual contributions are accumulated and reported as net pension (obligations)/assets.

Add - net pension asset	581,801
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An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	355,880
--	---------

Certain liabilities, such as bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(5,705,000)
Deduct - compensated absences	(759,176)
Deduct - accrued interest on long-term liabilities	(29,852)
	<hr/>

Net assets of governmental activities	<u><u>\$ 31,675,573</u></u>
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The accompanying notes are an integral part of these financial statements.

**LENAWEE COUNTY, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2004**

	General	221 County Health	285 Revenue Sharing Reserve	466 Building Authority Capital Projects-Jail	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>						
Taxes	\$ 13,464,627	\$ -	\$ 4,698,060	\$ -	\$ 1,832,852	\$ 19,995,539
Licenses and permits	116,650	477,943	-	-	415,212	1,009,805
Fines and forfeits	564,312	-	-	-	-	564,312
Use of money and property	285,360	57	-	53,009	4,940	343,366
Federal grants	1,453,203	600,021	-	-	462,909	2,516,133
State grants	2,644,530	529,081	-	-	2,993,969	6,167,580
Other intergovernmental revenue	-	-	-	-	1,101,537	1,101,537
Charges for services	3,447,906	400,849	-	-	1,162,797	5,011,552
Other	411,514	-	-	-	999,031	1,410,545
Total revenue	22,388,102	2,007,951	4,698,060	53,009	8,973,247	38,120,369
<b>Expenditures</b>						
Current:						
Legislative	216,458	-	-	-	-	216,458
General government	1,890,455	-	-	-	110,712	2,001,167
Judicial	5,483,891	-	-	-	206,367	5,690,258
Public safety	6,985,076	-	-	5,933,390	1,128,644	14,047,110
Health and welfare	813,160	2,569,107	-	-	6,398,041	9,780,308
Community enrichment and development	51,516	-	-	-	2,534,352	2,585,868
General support services	2,781,120	-	-	-	-	2,781,120
Public works	182,964	-	-	-	-	182,964
Other	161,482	-	-	-	-	161,482
Debt service:						
Principal	-	-	-	-	325,000	325,000
Interest and fiscal charges	-	-	-	-	184,255	184,255
Total expenditures	18,566,122	2,569,107	-	5,933,390	10,887,371	37,955,990
Revenue over (under) expenditures	3,821,980	(561,156)	4,698,060	(5,880,381)	(1,914,124)	164,379
<b>Other financing sources (uses)</b>						
Proceeds from sale of capital assets	27,112	-	-	-	3,900	31,012
Transfers in:						
County appropriation	-	464,766	-	-	2,631,094	3,095,860
Other	832,395	-	-	390,600	1,963,107	3,186,102
Transfers (out)	(3,274,952)	-	(741,718)	-	(1,261,054)	(5,277,724)
Total other financing sources (uses)	(2,415,445)	464,766	(741,718)	390,600	3,337,047	1,035,250
Net change in fund balances	1,406,535	(96,390)	3,956,342	(5,489,781)	1,422,923	1,199,629
Fund balance, beginning of year, as restated	5,343,770	1,516,231	-	5,667,823	3,491,572	16,019,396
<b>Fund balance, end of year</b>	<b>\$ 6,750,305</b>	<b>\$ 1,419,841</b>	<b>\$ 3,956,342</b>	<b>\$ 178,042</b>	<b>\$ 4,914,495</b>	<b>\$ 17,219,025</b>

The accompanying notes are an integral part of these financial statements.

**LENAWEE COUNTY, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2004**

Net change in fund balances - total governmental funds	\$ 1,199,629
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	6,184,064
Deduct - depreciation expense	(637,267)

Governmental funds report proceeds from the sale of capital assets as other financing sources. However, in the statement of activities, the net book value of the capital assets are deducted from the proceeds and a gain on the sale of capital assets is reported.

Deduct - net book value of capital assets	(17,233)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct - change in deferred long-term receivables	(7,247)
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Governmental funds report expenditures equal to amounts contributed to defined benefit pension plans. However, in the statement of activities, net pension costs are equal to actuarially determined net pension costs.

Add - excess of contributions over net pension cost	86,373
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on bonds payable	325,000
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An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) of the fund attributable to those funds is reported with governmental activities.

Add - net operating income from governmental activities in internal service fund	55,962
--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	1,100
Deduct - increase in the accrual for compensated absences	(62,815)

Change in net assets of governmental activities	\$ <u>7,127,566</u>
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The accompanying notes are an integral part of these financial statements.

**LENAWEE COUNTY, MICHIGAN**  
**Statement of Revenue, Expenditures**  
**And Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2004**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenue</b>				
Taxes and special assessments	\$ 13,477,984	\$ 13,477,984	\$ 13,464,627	\$ (13,357)
Licenses and permits	103,100	103,100	116,650	13,550
Fines and forfeits	395,200	482,498	564,312	81,814
Use of money and property	255,345	255,345	285,360	30,015
Federal grants	1,211,726	1,813,100	1,453,203	(359,897)
State grants	3,195,753	2,466,057	2,644,530	178,473
Charges for services	2,468,600	2,620,943	3,447,906	826,963
Other	194,400	330,994	411,514	80,520
Total revenue	21,302,108	21,550,021	22,388,102	838,081
<b>Expenditures</b>				
Legislative	216,387	221,493	216,458	5,035
Judicial	5,466,841	5,636,109	5,483,891	152,218
Public safety	6,774,036	7,126,354	6,985,076	141,278
Health and welfare	890,793	893,962	813,160	80,802
Community enrichment and development	36,516	51,516	51,516	-
General support services	3,092,266	2,993,823	2,781,120	212,703
General government	2,193,581	2,815,495	1,890,455	925,040
Public works	172,902	176,146	182,964	(6,818)
Other	141,528	162,007	161,482	525
Total expenditures	18,984,850	20,076,905	18,566,122	1,510,783
Revenue over expenditures	2,317,258	1,473,116	3,821,980	2,348,864
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	27,112	27,112	-
Transfers in:				
Other	100,677	100,677	832,395	731,718
Transfers (out)	(3,147,172)	(3,274,952)	(3,274,952)	-
Total other financing sources (uses)	(3,046,495)	(3,147,163)	(2,415,445)	731,718
Net change in fund balances	(729,237)	(1,674,047)	1,406,535	3,080,582
Fund balance, beginning of year, as restated	5,343,770	5,343,770	5,343,770	-
<b>Fund balance, end of year</b>	<b>\$ 4,614,533</b>	<b>\$ 3,669,723</b>	<b>\$ 6,750,305</b>	<b>\$ 3,080,582</b>

The accompanying notes are an integral part of these financial statements.

**LENAWEE COUNTY, MICHIGAN**  
**County Health Department**  
**Statement of Revenue, Expenditures and**  
**Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2004**  
**(With Comparative Actual Amounts for the Year Ended September 30, 2003)**

	<b>2004</b>				
	<b>Budgeted Amounts</b>			<b>Variance -</b>	<b>2003</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Positive</b> <b>(Negative)</b>	<b>Actual</b>
<b>Revenue</b>					
Licenses, fees, and permits	\$ 441,493	\$ 446,969	\$ 477,943	\$ 30,974	\$ 470,169
Use of money and property	-	-	57	57	73
Federal grants	598,367	603,307	600,021	(3,286)	430,448
State grants	485,828	531,843	529,081	(2,762)	673,070
Charges for services	424,607	477,808	400,849	(76,959)	432,236
Total revenue	1,950,295	2,059,927	2,007,951	(51,976)	2,005,996
<b>Expenditures</b>					
Personal services	1,870,193	1,938,503	1,856,714	81,789	1,830,413
Material and supplies	164,549	169,921	121,965	47,956	173,254
Contractual and other purchased services	542,636	595,743	550,025	45,718	495,328
Capital outlay	25,390	44,690	40,403	4,287	38,055
Total expenditures	2,602,768	2,748,857	2,569,107	179,750	2,537,050
Revenue over (under) expenditures	(652,473)	(688,930)	(561,156)	127,774	(531,054)
<b>Other financing sources</b>					
Transfers in:					
County appropriation	651,045	560,260	464,766	(95,494)	522,524
Net change in fund balances	(1,428)	(128,670)	(96,390)	32,280	(8,530)
Fund balance, beginning of year	1,516,231	1,516,231	1,516,231	-	1,524,761
<b>Fund balance, end of year</b>	<b>\$ 1,514,803</b>	<b>\$ 1,387,561</b>	<b>\$ 1,419,841</b>	<b>\$ 32,280</b>	<b>\$ 1,516,231</b>

The accompanying notes are an integral part of these financial statements.

**LENAWEE COUNTY, MICHIGAN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2004**

	<b>Business-type Activities</b>						<b>Governmental Activities</b>
	<b>616 &amp; 606 Delinquent Tax Revolving</b>	<b>Building Authority</b>	<b>Medical Care Facility</b>	<b>581 Airport</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service 633 Central Stores</b>
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 10,151,132	\$ 1,129,826	\$ 1,005,911	\$ 6,087	\$ 1,080,256	\$ 13,373,212	\$ 321,602
Restricted cash and cash equivalents	-	-	1,503,220	-	-	1,503,220	-
Accounts receivable	248,287	1,299	774,043	-	50,000	1,073,629	-
Delinquent taxes receivable	1,676,234	-	-	-	-	1,676,234	-
Interfund receivable	41,107	-	-	-	-	41,107	-
Due from other funds	392,000	-	-	-	-	392,000	-
Advance to Drain Commission Component Unit	300,000	-	-	-	-	300,000	-
Inventory	-	-	-	-	-	-	41,582
Prepaid expenses	-	-	110,542	-	-	110,542	-
Total current assets	12,808,760	1,131,125	3,393,716	6,087	1,130,256	18,469,944	363,184
<b>Other assets</b>							
Loans receivable	-	-	-	-	700,000	700,000	-
Deferred cost on bond reissue, net of amortization	-	174,212	51,879	-	-	226,091	-
Capital assets, net of accumulated depreciation	-	5,483,959	5,733,367	4,769,336	-	15,986,662	-
Total other assets	-	5,658,171	5,785,246	4,769,336	700,000	16,912,753	-
Total assets	12,808,760	6,789,296	9,178,962	4,775,423	1,830,256	35,382,697	363,184
<b>Liabilities</b>							
<b>Current liabilities</b>							
Accounts payable	-	3,077	201,312	1,098	18	205,505	7,304
Accrued wages and benefits	-	6,413	320,817	1,774	4,958	333,962	-
Accrued interest payable	-	13,974	-	-	-	13,974	-
Accrued expenses and deposits	-	-	102,053	-	-	102,053	-
Deferred revenue	-	471,335	38,904	-	-	510,239	-
Interfund payable	-	-	-	-	41,107	41,107	-
Due to other funds	-	300,000	-	92,000	-	392,000	-
Current portion of bonds payable	-	640,000	125,000	-	-	765,000	-
Total current liabilities	-	1,434,799	788,086	94,872	46,083	2,363,840	7,304
<b>Long-term debt</b>							
Bonds payable	-	2,655,000	1,285,000	-	-	3,940,000	-
Total liabilities	-	4,089,799	2,073,086	94,872	46,083	6,303,840	7,304
<b>Net assets</b>							
Invested in capital assets, net of related debt	-	2,188,959	4,323,367	4,769,336	-	11,281,662	-
Restricted	-	510,538	-	-	-	510,538	-
Unrestricted (deficit)	12,808,760	-	2,782,509	(88,785)	1,784,173	17,286,657	355,880
Total net assets	\$ 12,808,760	\$ 2,699,497	\$ 7,105,876	\$ 4,680,551	\$ 1,784,173	\$ 29,078,857	\$ 355,880

The accompanying notes are an integral part of these financial statements.



**LENAWEE COUNTY, MICHIGAN**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2004**

	<b>Business-type Activities - Enterprise Funds</b>						<b>Governmental Activities Internal Service 633 Central Stores</b>
	<b>616 &amp; 606 Delinquent Tax Revolving</b>	<b>Building Authority</b>	<b>Medical Care Facility</b>	<b>581 Airport</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>Operating revenue</b>							
Charges for services	\$ 369,116	\$ 4,883	\$ 8,399,060	\$ 112,225	\$ 284,971	\$ 9,170,255	\$ 233,325
Rental income	-	1,362,654	-	-	-	1,362,654	-
Vending and other income	-	4,913	283,172	208	51,149	339,442	-
Total operating revenue	369,116	1,372,450	8,682,232	112,433	336,120	10,872,351	233,325
<b>Operating expenses</b>							
Personal services costs	-	307,046	4,454,117	81,570	269,503	5,112,236	-
Supplies and other operating expenses	132,702	168,961	3,209,271	125,260	58,711	3,694,905	177,363
Other contractual services	-	64,875	-	-	-	64,875	-
Administrative costs	-	27	-	-	-	27	-
Depreciation expense	-	153,968	430,126	49,543	-	633,637	-
Total operating expenses	132,702	694,877	8,093,514	256,373	328,214	9,505,680	177,363
Operating income (loss)	236,414	677,573	588,718	(143,940)	7,906	1,366,671	55,962
<b>Non-operating revenue (expenses)</b>							
Interest income	614,275	9,660	13,081	-	33,860	670,876	-
Interest expense	-	(130,261)	(36,536)	(3,540)	-	(170,337)	-
Total non-operating revenue (expenses)	614,275	(120,601)	(23,455)	(3,540)	33,860	500,539	-
Income (loss) before contributions and transfers	850,689	556,972	565,263	(147,480)	41,766	1,867,210	55,962
Contributions from others	-	-	-	148,760	-	148,760	-
Transfers from other funds	247,076	-	600,000	65,051	-	912,127	-
Transfers to other funds	(1,874,054)	(87,244)	-	-	(5,419)	(1,966,717)	-
Change in net assets	(776,289)	469,728	1,165,263	66,331	36,347	961,380	55,962
Net assets, beginning of year, as restated	13,585,049	2,229,769	5,940,613	4,614,220	1,747,826	28,117,477	299,918
<b>Net assets, end of year</b>	<b>\$ 12,808,760</b>	<b>\$ 2,699,497</b>	<b>\$ 7,105,876</b>	<b>\$ 4,680,551</b>	<b>\$ 1,784,173</b>	<b>\$ 29,078,857</b>	<b>\$ 355,880</b>

The accompanying notes are an integral part of these financial statements.

**LENAWEE COUNTY, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2004**

	<b>Business-type Activities - Enterprise Funds</b>						<b>Governmental Activities</b>
	<b>616 &amp; 606 Delinquent Tax Revolving</b>	<b>Building Authority</b>	<b>Medical Care Facility</b>	<b>581 Airport</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service 633 Central Stores</b>
<b>Cash flows from operating activities</b>							
Cash received from customers, residents and users	\$ 444,068	\$ 1,288,827	\$ 8,346,596	\$ 112,225	\$ 241,127	\$ 10,432,843	\$ -
Cash received from reimbursement program	-	-	235,108	-	-	235,108	-
Other operating receipts	-	4,913	12,087	208	51,149	68,357	-
Cash paid to employees and suppliers	(132,702)	(602,222)	(7,805,776)	(189,694)	(285,089)	(9,015,483)	(170,789)
Receipts for interfund services provided	-	-	-	-	-	-	233,325
Net cash provided by (used in) operating activities	311,366	691,518	788,015	(77,261)	7,187	1,720,825	62,536
<b>Cash flows from capital and related financing activities</b>							
Principal payments on capital debt	-	(620,000)	-	-	-	(620,000)	-
Interest payments on capital debt	-	(81,444)	(36,536)	(3,540)	-	(121,520)	-
Proceeds from capital debt	-	-	1,410,000	-	-	1,410,000	-
Payments of long-term advance	-	-	(1,407,087)	-	-	(1,407,087)	-
Payments received on long-term advance	1,407,087	-	-	-	-	1,407,087	-
Capital contributions	-	-	-	148,760	-	148,760	-
Purchase of capital assets	-	-	(173,464)	(148,760)	-	(322,224)	-
Net cash provided by (used in) capital and related financing activities	1,407,087	(701,444)	(207,087)	(3,540)	-	495,016	-
<b>Cash flows from non-capital financing activities</b>							
Payments received on loans receivable	-	-	-	-	503,038	503,038	-
New loans made to businesses	-	-	-	-	(700,000)	(700,000)	-
Transfers from other funds	247,076	-	600,000	65,051	-	912,127	-
Transfers to other funds	(1,874,054)	(87,244)	-	-	(5,419)	(1,966,717)	-
Patient trust deposits (withdrawals)	-	-	(2,471)	-	-	(2,471)	-
Net cash provided by (used in) non-capital financing activities	(1,626,978)	(87,244)	597,529	65,051	(202,381)	(1,254,023)	-
<b>Cash flows from investing activities</b>							
Interest income received	614,275	9,660	13,081	-	33,860	670,876	-
Net increase (decrease) in cash and cash equivalents	705,750	(87,510)	1,191,538	(15,750)	(161,334)	1,632,694	62,536
Cash and cash equivalents, beginning of year	9,445,382	1,217,336	1,317,593	21,837	1,241,590	13,243,738	259,066
<b>Cash and cash equivalents, end of year</b>	<b>\$ 10,151,132</b>	<b>\$ 1,129,826</b>	<b>\$ 2,509,131</b>	<b>\$ 6,087</b>	<b>\$ 1,080,256</b>	<b>\$ 14,876,432</b>	<b>\$ 321,602</b>

Continued...

**LENAWEE COUNTY, MICHIGAN**  
**Combining Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended December 31, 2004**

	Business-type Activities - Enterprise Funds						Governmental Activities
	616 & 606 Delinquent Tax Revolving	Building Authority	Medical Care Facility	581 Airport	Nonmajor Enterprise Funds	Total	Internal Service 633 Central Stores
<b>Balance Sheet Classification of Cash</b>							
Current assets - Cash and cash equivalents	\$ 10,151,132	\$ 1,129,826	\$ 1,005,911	\$ 6,087	\$ 1,080,256	\$ 13,373,212	\$ 321,602
Restricted assets - Cash and cash equivalents	-	-	1,503,220	-	-	1,503,220	-
Total	\$ 10,151,132	\$ 1,129,826	\$ 2,509,131	\$ 6,087	\$ 1,080,256	\$ 14,876,432	\$ 321,602
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>							
Operating income (loss)	\$ 236,414	\$ 677,573	\$ 588,718	\$ (143,940)	\$ 7,906	\$ 1,366,671	55,962
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	-	153,968	430,126	49,543	-	633,637	-
(Increase) decrease in:							
Accounts receivable	(22,596)	(330)	(52,464)	-	(43,844)	(119,234)	-
Taxes receivable	(41,247)	-	-	-	-	(41,247)	-
Interfund receivable	(41,107)	-	-	-	-	(41,107)	-
Due from other funds	179,902	-	-	-	-	179,902	-
Inventory	-	-	-	-	-	-	4,073
Prepaid expenses	-	-	(44,838)	-	-	(44,838)	-
Increase (decrease) in:							
Accounts payable	-	(14,346)	(31,743)	(2,606)	(2)	(48,697)	2,501
Accrued wages and benefits	-	3,033	(105,725)	742	2,020	(99,930)	-
Accrued expenses and deposits	-	-	39,918	-	-	39,918	-
Deferred revenue	-	(78,380)	(35,977)	-	-	(114,357)	-
Interfund payable	-	-	-	-	41,107	41,107	-
Due to other funds	-	(50,000)	-	19,000	-	(31,000)	-
Net cash provided by (used in) operating activities	\$ 311,366	\$ 691,518	\$ 788,015	\$ (77,261)	\$ 7,187	\$ 1,720,825	\$ 62,536

The accompanying notes are an integral part of these financial statements.

**LENAWEE COUNTY, MICHIGAN**  
**Statement of Fiduciary Net Assets**  
**Agency Funds**  
**December 31, 2004**

**Assets**

Cash and cash equivalents	\$ 7,238,756
Accounts receivable	<u>80,256</u>
Total assets	<u><u>\$ 7,319,012</u></u>

**Liabilities**

Undistributed fees, taxes and other collections	<u><u>\$ 7,319,012</u></u>
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The accompanying notes are an integral part of these financial statements.

## **Notes to the Financial Statements**

**LENAWEE COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

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**INDEX**

	<b><u>PAGE</u></b>
<b>I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>	
A. Reporting Entity .....	30
B. Government-wide and Fund Financial Statements.....	31
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation .....	31
D. Assets, Liabilities and Net Assets or Equity.....	33
<b>II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY</b>	
A. Budgetary Information .....	36
<b>III. DETAILED NOTES ON ALL FUNDS</b>	
A. Deposits and Investments .....	37
B. Receivables/Deferred Revenues .....	38
C. Capital Assets .....	40
D. Payables.....	42
E. Interfund Receivables, Payables and Transfers .....	42
F. Long-term Debt .....	43
<b>IV. OTHER INFORMATION</b>	
A. Risk Management.....	46
B. Contingent Liabilities .....	46
C. Property Taxes.....	46
D. Pension Plan .....	47
E. Leases .....	49
F. Segment Information for Enterprise Funds .....	50
G. Restatements.....	50

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic primary government financial statements of Lenawee County, Michigan (the “County” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

#### A. Reporting Entity

The accompanying financial statements are for the primary government of Lenawee County, and do not include the financial data of the component units of the County. The component units discussed below are considered to be part of the County’s reporting entity because of the significance of their operational or financial relationship with the County. However, the accompanying financial statements do not include these component units.

The financial statements of the Lenawee County Building Authority, which is a blended component unit, have been consolidated with the County’s capital projects, debt service and enterprise funds. The Building Authority is reported as if it were part of the primary government because its sole purpose is to finance, construct and operate certain County public buildings.

The following are the component units of the County which have been excluded from the accompanying financial statements. If these component units had been included, they would have been presented as discrete component units:

***Lenawee Transportation Corporation*** - The County appoints all members of the governing board of the Lenawee Transportation Corporation and the County has the ability to significantly influence their operations. The County also approves the budget and grants of the Lenawee Transportation Corporation. A complete financial statement can be obtained from the Lenawee Transportation Corporation, c/o City of Adrian, City Hall, Adrian, Michigan 49221.

***Lenawee County Road Commission*** – Members of the governing board of the Road Commission are elected, and set policy for all Road Commission activities. The Road Commission deposits receipts with the County and has investments through the County. A complete financial statement can be obtained from the Lenawee County Road Commission, 2461 Treat Highway, Adrian, Michigan 49221.

***Lenawee County Drain Commission*** – The Drain Commissioner is an elected position with statutory authority to perform duties related to the construction and maintenance of drainage, water and sewer systems within Lenawee County. The County has the ability to significantly influence their operations. The County also approves the budget of the Lenawee County Drain Commission. A complete financial statement can be obtained from the Lenawee County Drain Commission, 320 Springbrook Avenue, Adrian, Michigan 49221.

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

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### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.



# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

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Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *County health fund* accounts for the delivery of a vast array of health services to the residents of Lenawee County. This fund is accounted for on a September 30 fiscal year end, which coincides with the Health Department's primary funding source.

The *revenue sharing reserve fund* accounts for accelerated property taxes collections held for the replacement of future state shared revenues.

The *building authority capital projects – jail fund* accounts for the construction of the new jail.

The government reports the following major proprietary funds:

The *delinquent tax revolving fund* accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for the resulting debt service payments.

The *building authority fund* accounts for the construction, operation, maintenance, and financing of the human services building.

The *medical care facility fund* accounts for the long-term care of elderly residents of Lenawee County in a medical care unit owned and operated by Lenawee County.

The *airport fund* accounts for all County airport operations.

Additionally, the government reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects. The department on aging fund (a nonmajor special revenue fund) is accounted for on a September 30 fiscal year end, which coincides with its primary funding source.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

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The *capital projects funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

The *enterprise funds* account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. d printing services to various County departments and others.

The *internal service fund* accounts for operations that provide services to other departments or agencies of the County, or to other governments, on a cost-reimbursement basis. The Central Stores Fund, as the only internal service fund, provides supplies and printing services to various County departments and others.

The *agency funds* account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the delinquent tax fund and of the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# **LENAWEE COUNTY, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004**

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### **D. Assets, Liabilities and Net Assets or Equity**

#### **1. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Investments are stated at fair value.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

#### **2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

#### **3. Inventories and Prepaid Items**

Inventories in the internal service fund are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **4. Capital Assets**

Capital assets, which include property and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

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Capital assets of the primary government are depreciated using the straight line method over the useful life of the assets as follows:

Buildings and improvements	50 - 55 years
Equipment (computer, office and vehicles)	3 - 10 years

### 5. Compensated Absences

Under existing general County rules and regulations, all regular full-time employees are eligible for paid leave in varying amounts based on length of service, which may be used for vacation, sickness, personal days, or for other reasons subject to certain rules. All employees must take at least ten (10) working days per year of paid leave. Unused paid leave time is paid upon employee termination, but does not accumulate beyond maximums determined by length of service. This leave time is accrued when incurred in the government-wide and proprietary fund financial statements.

Accrued vacation, sick leave and other compensated absences are recorded as a governmental fund liability at December 31, 2004, to the extent that they are to be liquidated with expendable available financial resources within the current operating cycle. This operating cycle is interpreted as being sixty days for purposes of this accrual.

### 6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### 7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# **LENAWEE COUNTY, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004**

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### **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. Budgetary Information**

The County's procedures for establishing the budgetary data reflected in the financial statements is as follows:

- The County Administrator submits a proposed operating budget to the Board of Commissioners before September 15. The operating budget includes proposed expenditures and the means of financing them. Public hearings are held to obtain taxpayer comments. The budget is legally adopted no later than December 31 through a Board of Commissioners resolution prior to the beginning of the budgetary year for the general and special revenue funds. State statutes do not require legally adopted budgets for debt service or capital projects funds.
- The budget is approved by the Board of Commissioners at the functional level for the General Fund and on a total revenue/expenditure basis for the Special Revenue Funds. Budgetary control is exercised at these levels.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the Board of Commissioners or the County Administrator during the year. Appropriations unused at December 31 are not carried forward to the following year.
- Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Lenawee County because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

The County did not adopt budgets for the Revenue Sharing Reserve Special Revenue Fund or the Medical Care Facility Millage Special Revenue Fund (nonmajor).

**LENAWEE COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

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**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

A reconciliation of cash and cash equivalents as shown in the basic financial statements is as follows:

Cash on hand	\$ 3,523
Carrying amount of deposits	32,112,760
Carrying amount of investments	<u>3,381,768</u>
	<u><b>\$ 35,498,051</b></u>
Cash and cash equivalents:	
Statement of net assets	\$ 28,259,295
Statement of net assets - fiduciary funds	<u>7,238,756</u>
	<u><b>\$ 35,498,051</b></u>

**Deposits**

At year end, the carrying amount of the County's deposits was \$32,112,760 and the total deposits held for the Drain Commission Component Unit was \$2,916,800. The combined bank balance of these deposits was \$35,042,154, of which \$886,566 was covered by F.D.I.C. insurance. The remaining balance of \$34,155,588 was uninsured and uncollateralized. Since the bank deposits of the primary government and discretely presented component units are pooled, separate risk categorizations or identification of FDIC coverage is not possible.

County policy limits the Treasurer's investing options to financial institutions located in Lenawee County, except when an investment is warranted to be invested in another Michigan County financial institution. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. All accounts are in the name of the County and a specific fund or common account. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

**LENAWEE COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

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**Investments**

For the purpose of providing an indication of the assumed levels of risk, investments are categorized as follows:

- |                   |  |
|-------------------|--|
| <b>Category 1</b> | Investments that are insured or registered or for which the securities are held by the County or its agent in the County's name.                                 |
| <b>Category 2</b> | Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name.                   |
| <b>Category 3</b> | Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. |

The County's investments, which consist entirely of governmental liquid asset investment funds, are uncategorized as to risk.

The carrying/fair value of the County's investments as of December 31, 2004, was \$3,381,768.

**B. Receivables/Deferred Revenue**

Receivables in the government activities are composed of the following:

Taxes	\$13,299,095
Accounts	472,764
Other governmental units	<u>1,373,588</u>
	<b><u>\$15,145,447</u></b>

All amounts are expected to be collected within one year.

**LENAWEE COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

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Receivables in the business-type activities are composed of the following:

	<b><u>Total</u></b>	<b><u>Amount Expected to be Collected in More Than One Year</u></b>
Accounts	\$ 299,586	\$ -
Patient	774,043	-
Business loan	700,000	700,000
Taxes	1,676,234	320,000
Other	<u>300,000</u>	<u>300,000</u>
	<b><u>\$3,749,863</u></b>	<b><u>\$1,320,000</u></b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<b><u>Unavailable</u></b>	<b><u>Unearned</u></b>
Property taxes levied for the next fiscal year	\$ -	\$ 9,937,429
Long-term receivable not collectible within 60 days	100,324	-
Grant drawdowns prior to meeting all eligibility requirements and fees received in advance of being earned	<u>-</u>	<u>303,020</u>
	<b><u>\$ 100,324</u></b>	<b><u>\$10,240,449</u></b>



# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### C. Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

#### Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,302,353	\$ 6,557	\$ -	\$ 2,308,910
Construction in progress	4,279,885	5,933,388	-	10,213,273
Total capital assets, not being depreciated	6,582,238	5,939,945	-	12,522,183
Capital assets, being depreciated:				
Buildings and improvements	10,822,356	-	-	10,822,356
Equipment and furniture	1,815,943	67,269	50,781	1,832,431
Vehicles	1,213,122	176,850	30,271	1,359,701
Total capital assets, being depreciated	13,851,421	244,119	81,052	14,014,488
Less accumulated depreciation for:				
Buildings and improvements	4,508,133	220,095	-	4,728,228
Equipment and furniture	864,685	197,984	42,995	1,019,674
Vehicles	677,834	219,188	20,824	876,198
Total accumulated depreciation	6,050,652	637,267	63,819	6,624,100
Total capital assets, being depreciated, net	7,800,769	(393,148)	17,233	7,390,388
<b>Governmental activities capital assets, net</b>	<b>\$ 14,383,007</b>	<b>\$ 5,546,797</b>	<b>\$ 17,233</b>	<b>\$ 19,912,571</b>

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,853,491	\$ 148,760	\$ -	\$ 4,002,251
Capital assets, being depreciated:				
Land improvements	1,499,888	-	-	1,499,888
Buildings and improvements	15,165,032	88,717	-	15,253,749
Equipment and furniture	2,419,310	84,747	-	2,504,057
Vehicles	42,392	-	-	42,392
Total capital assets, being depreciated	19,126,622	173,464	-	19,300,086
Less accumulated depreciation for:				
Land improvements	397,127	317,508	-	714,635
Buildings and improvements	4,927,100	223,266	-	5,150,366
Equipment and furniture	1,325,988	91,449	-	1,417,437
Vehicles	31,823	1,414	-	33,237
Total accumulated depreciation	6,682,038	633,637	-	7,315,675
Total capital assets, being depreciated, net	12,444,584	(460,173)	-	11,984,411
<b>Business-type activities capital assets, net</b>	<b>\$ 16,298,075</b>	<b>\$ (311,413)</b>	<b>\$ -</b>	<b>\$ 15,986,662</b>

Depreciation expense was charged to functions of the primary government as follows:

### Governmental Activities:

General government	\$ 153,713
Judicial	104,782
Public safety	300,724
Health and welfare	56,778
Community enrichment	21,270

**Total depreciation expense - governmental activities** \$ 637,267

### Business-type activities:

Building Authority	\$ 153,968
Medical Care Facility	430,126
Airport	49,543

**Total depreciation expense - business-type activities** \$ 633,637

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### D. Payables

Accounts payable and accrued liabilities in the governmental activities are as follows:

Trade accounts payable	\$ 899,779
Other liabilities	43,750
Wages, fringe benefits and other accrued liabilities	482,422
Accrued interest payable	29,852
Deposits and trust monies held	<u>61,000</u>
	<u><b>\$ 1,516,803</b></u>

Accounts payable and accrued liabilities in the business-type activities are as follows:

Trade accounts payable	\$ 205,505
Wages, fringe benefits and other accrued liabilities	333,962
Accrued interest payable	13,974
Accrued expenses and deposits	<u>102,053</u>
	<u><b>\$ 655,494</b></u>

### E. Interfund Receivables, Payables and Transfers

Due to/from other funds	Receivable	Payable
General Fund	\$ -	\$ 3,411,270
Revenue Sharing Reserve	3,411,270	-
Human Services Building Authority	-	300,000
Delinquent Tax Revolving	392,000	-
Airport	-	<u>92,000</u>
<b>Total</b>	<u><b>\$ 3,803,270</b></u>	<u><b>\$ 3,803,270</b></u>
<b>Advances to component units:</b>	<b>Receivable</b>	
General Fund	\$ 225,000	
Delinquent Tax Revolving	<u>300,000</u>	
<b>Total</b>	<u><b>\$ 525,000</b></u>	

Certain nonmajor governmental and nonmajor enterprise funds with negative balances in the County's pooled cash accounts report an interfund payable, which is equal to the interfund receivables of \$21,176 and \$41,107 reported in the General Fund and Delinquent Tax Revolving Enterprise Fund, respectively.

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

The County has interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The component units are excluded from the accompanying financial statements.

<b>Interfund transfers</b>	<b>Transfer In</b>	<b>Transfer Out</b>
General Fund	\$ 832,395	\$ 3,274,952
County Health	464,766	-
Revenue Sharing Reserve	-	741,718
Building Authority Capital Projects-Jail	390,600	-
Delinquent Tax Revolving	247,076	1,874,054
Human Services Building Authority		87,244
Medical Care Facility	600,000	-
Airport	65,051	-
Nonmajor governmental funds	4,594,201	1,261,054
Nonmajor enterprise funds	-	5,419
<b>Total per financial statements</b>	<b>7,194,089</b>	<b>7,244,441</b>
<b>Adjustment for September 30 fiscal year end</b>		
Health Department	50,352	-
<b>Total</b>	<b>\$ 7,244,441</b>	<b>\$ 7,244,441</b>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations or (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

### **F. Long-term Debt**

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and business-type activities.

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

County long-term debt activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Building Authority Limited Tax Full Faith and Credit General Obligation Bonds of \$6,030,000 due in varying annual installments of \$325,000 to \$530,000 at interest rates of 2.1% to 3.9%.	\$ 6,030,000	\$ -	\$ 325,000	\$ 5,705,000	\$ 325,000
Accumulated sick and vacation leave	696,361	1,325,800	1,262,985	759,176	-
	<u><b>\$ 6,726,361</b></u>	<u><b>\$1,325,800</b></u>	<u><b>\$ 1,587,985</b></u>	<u><b>\$ 6,464,176</b></u>	<u><b>\$ 325,000</b></u>
<b>Business-type activities:</b>					
Building Authority Limited Tax Full Faith and Credit General Obligation Bonds of \$1,410,000, due in varying installments of \$125,000 to \$165,000 plus interest rates of 2.0% to 3.5%, through 2014.	\$ -	\$1,410,000	\$ -	\$ 1,410,000	\$ 125,000
Building Authority Limited Tax Full Faith and Credit Refunding General Obligation Bonds of \$4,525,000, due in varying installments of \$610,000 to \$680,000 plus interest rates of 2.0% to 3.1%, due 5/01/09.	3,915,000	-	620,000	3,295,000	640,000
	<u><b>\$ 3,915,000</b></u>	<u><b>\$1,410,000</b></u>	<u><b>\$ 620,000</b></u>	<u><b>\$ 4,705,000</b></u>	<u><b>\$ 765,000</b></u>

On September 1, 2002, the County issued \$4,525,000 in Limited Tax Full Faith and Credit General Obligation Refunding Bonds with an average rate of 2.6% to advance refund \$4,260,000 of outstanding 1993 Series Limited Tax Full Faith and Credit General Obligation Bonds with an average interest rate of 5.6%. As a result, the \$4,260,000 remaining 1993 Series bonds are considered to be defeased and the liability for these bonds has been removed from the Building Authority Fund. The balance of the defeased bonds outstanding was \$3,195,000 at December 31, 2004. This transaction resulted in a deferred cost on refunded bonds, where the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the remaining life of the new debt (through 4/30/09).

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

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The annual requirements to amortize the general obligation bonds as of December 31, 2004, are as follows:

### Governmental Activities

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 325,000	\$ 177,429
2006	325,000	170,442
2007	350,000	162,836
2008	350,000	154,261
2009	375,000	144,548
2010-2014	2,025,000	536,587
2015-2018	<u>1,955,000</u>	<u>152,308</u>
	<u><b>\$ 5,705,000</b></u>	<u><b>\$ 1,498,411</b></u>

### Business-type Activities

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 765,000	\$ 119,607
2006	765,000	100,233
2007	785,000	81,805
2008	810,000	60,513
2009	815,000	36,801
2010-2014	<u>765,000</u>	<u>65,772</u>
	<u><b>\$ 4,705,000</b></u>	<u><b>\$ 464,731</b></u>

The County of Lenawee is contingently liable for long-term bonds of various municipal sewerage and drainage districts at December 31, 2004, in the amount of \$19,360,000. The primary obligation for the bond principal and interest payments lies with the local unit. The County General Fund as an agent, however, is obligated to pay the debt if for any reason, there are not sufficient funds on hand from fixed debt retirement payments of the municipality.

For the governmental activities, compensated absences are generally liquidated by the general fund.

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

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### IV. OTHER INFORMATION

#### A. Risk Management

During the normal course of its operations, the County is exposed to various risks of loss related to liability, health, employee injury and other circumstances. The County has retained coverages through commercial insurance carriers. There were no significant reductions in insurance coverage from the prior year, and no insurance settlements have exceeded coverage in the past three years.

#### B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

#### C. Property Taxes

Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund known as the Revenue Sharing Reserve Fund.

Through 2004, the County property tax was levied each December 1 on the assessed valuation of property located in the County as of the preceding December 31. On December 1, the property tax assessment was an enforceable lien on property and is payable by the last day of the following February. Assessed values are established annually by the County and are equalized by the State of Michigan at an estimated 50% of current market value.

The assessed and taxable value of real and personal property for the 2003 levy, for which revenue was recognized in 2004, was \$2,661,028,623. The County tax rates were as follows:

General operating	5.0818
Department on Aging	.4960
Medical Care Facility	<u>.1952</u>
<b>Total</b>	<b><u>5.7730</u></b>

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

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### D. Pension Plan

#### Defined Benefit

##### General

The County contributes to the Lenawee County Board of Commissioners Employees' Retirement Income Plan ("Plan"), a single-employer defined benefit plan provided through a private insurance company that acts as an investment and administrative agent for the County. The Plan is not shown as a pension trust fund within the County's financial statements as the Plan is completely administered by an outside party. Employer and employee contributions and benefit provisions are authorized and may be amended by County Board resolution and benefits may vary pursuant to collective bargaining agreements.

The County provides this Plan for all employees who regularly work at least 1,000 hours in a calendar year. The Plan is a defined benefit plan which pays upon retirement a benefit range (depending on Group) calculated at 1.0 to 2.5% of average monthly earnings times years of service, times final average compensation. Retirement may begin at age 65 with eight (8) years continuous service or as early as age 55 with ten (10) years continuous service with a reduction in the benefit. Retirement plan benefits may vary pursuant to collective bargaining agreements.

Membership in the Plan consisted of the following at January 1, 2004, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	193
Terminated plan members entitled to, but not yet receiving benefits	104
Active plan members	<u>564</u>
<b>Total</b>	<b><u>861</u></b>

#### Employee Contributions

Eligible employees are required to contribute 0% to 5% of their annual compensation to the Plan. Total contributions amounted to \$668,944 for the year ended December 31, 2004.

#### Employer Contributions

The County also makes contributions to the Plan, at annual actuarially determined amounts, to provide assets sufficient to meet the benefits to be paid to plan members. Such aggregate contributions amounted to \$1,951,968 for the year ended December 31, 2004.



**LENAWEE COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

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**Summary of Significant Accounting Policies**

**Method Used to Value Investments**

The Plan's investments are recorded at fair value and include accounts administered by a Life Insurance Company maintained under group annuity contracts.

**Annual Pension Cost and Net Pension Obligation (Asset)**

The County's annual pension cost and net pension obligation (asset) for the current year were as follows:

Annual required contribution	\$1,951,968
Interest on net pension asset	(39,635)
Adjustment to annual required contribution	<u>(46,738)</u>
Annual pension cost	1,865,595
Contribution made	<u>(1,951,968)</u>
Increase in net pension obligation (asset)	(86,373)
Net pension obligation (asset), beginning of year	<u>(495,428)</u>
 <b>Net pension obligation (asset), end of year</b>	 <b><u>\$ (581,801)</u></b>

The annual required contribution for the current year was determined as part of a January 1, 2004 actual valuation using the entry age normal contribution method. The actuarial assumptions included 8% investment rate of return on the investment, compounded annually, and projected salary increases of 4% per year compounded annually, including inflation at 2% per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a two-year period. The unfunded, actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis with 20 years remaining, as of January 1, 2004.

**Three-Year Trend Information**

<b><u>Year</u></b> <b><u>Ending</u></b>	<b><u>Annual</u></b> <b><u>Pension</u></b> <b><u>Cost</u></b>	<b><u>Percentage</u></b> <b><u>of APC</u></b> <b><u>Contributed</u></b>	<b><u>Net</u></b> <b><u>Pension</u></b> <b><u>Obligation</u></b> <b><u>(Asset)</u></b>
12/31/02	\$1,465,050	129%	\$ (421,878)
12/31/03	1,669,712	100	(495,428)
12/31/04	1,865,595	105	(581,801)

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

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### **Defined Contribution Plan**

Effective April 1, 2001, the County began to provide and administer pension benefits for certain new full-time employees through a defined contribution plan, called the Lenawee County Board of Commissioners Defined Contribution Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate on the date of employment. The plan requires the County to contribute, on behalf of each covered employee, 7 1/2% of the employees' compensation. Plan provisions and contribution requirements are established and may be amended by the Board of County Commissioners.

Participants are required to contribute 7.5% of compensation to this plan.

The County made the required contribution to the plan, amounting to \$119,670 and employee contributions also were \$119,670 for the year ended December 31, 2004.

### **E. Leases**

The Building Authority Enterprise Fund leases space in the Human Services Building to various departments of the County and other governmental agencies. The cost and carrying amount of leased assets at year end was as follows:

Land	\$ 75,000
Buildings and improvements	7,603,554
Less accumulated depreciation	<u>(2,194,595)</u>
	<b><u>\$ 5,483,959</u></b>

Minimum future lease payments with other governmental agencies under no cancelable leases were as follows:

<b><u>Year Ending December 31,</u></b>	<b><u>Principal</u></b>
2005	\$ 883,134
2006	883,134
2007	883,134
2008	883,134
2009	809,123
2010-2012	<u>755,365</u>
	<b><u>\$ 5,097,024</u></b>

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### F. Segment Information for Enterprise Funds

The County issued general obligation bonds to finance construction of a County building. Because the Building Authority Fund, an individual fund that accounts entirely for the government's Human Services Building construction, financing and operating activities is a segment and is reported as a major fund in the financial statements, segment disclosures herein are not required.

### G. Restatements

Fund balances/net assets as of January 1, 2004, were restated as follows:

<b><u>Governmental Funds:</u></b>	<b><u>General</u></b>	<b><u>Building Authority Capital Projects- Jail</u></b>	<b><u>Nonmajor Governmental Funds</u></b>
Fund balances, January 1, 2004, as previously reported	\$ 5,417,200	\$ -	\$ 2,965,437
Reclassification of equity balances from Enterprise Fund activities to Debt Service and Capital Projects (modified accrual)	-	5,667,823	321,562
Decrease to properly recognize deferred revenue for "unavailable" deferred revenue	(73,430)	-	(63,162)
Increase to properly recognize activity for Medical Care Facility Millage previously accounted for in fiduciary activities	-	-	267,735
<b>Fund balances, January 1, 2004, as restated</b>	<b><u>\$ 5,343,770</u></b>	<b><u>\$ 5,667,823</u></b>	<b><u>\$ 3,491,572</u></b>

<b><u>Enterprise Funds:</u></b>	<b><u>Delinquent Tax Revolving</u></b>	<b><u>Building Authority</u></b>
Net assets, January 1, 2004, as previously reported	\$ 13,368,958	\$ 4,715,160
Reclassification of equity balances from Enterprise Fund activities to Debt Service, Capital Projects, and governmental activities	-	(4,208,318)
Decrease to eliminate net investment in direct financing lease	-	(3,915,000)
Increase to properly recognize capital assets for the Human Services Building previously recognized in governmental activities	-	5,637,927
Increase to properly recognize activity for foreclosures and expense of sale charges previously accounted for in fiduciary activities	216,091	-
<b>Net assets, January 1, 2004, as restated</b>	<b><u>\$ 13,585,049</u></b>	<b><u>\$ 2,229,769</u></b>

# LENAWEE COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

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<b><u>Government-wide:</u></b>	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>
Net assets, January 1, 2004, as previously reported	\$ 23,990,674	\$ 30,386,777
Reclassification of equity balances from Enterprise Fund activities to Debt Service and Capital Projects	5,989,385	(5,989,385)
Reclassification of full-accrual assets and liabilities from business-type to governmental activities	(1,781,067)	1,781,067
Decrease to eliminate net investment in direct financing lease	-	(3,915,000)
Increase to eliminate long-term debt incorrectly recorded	1,252,800	-
Increase to properly recognize capital assets for the Human Services Building previously recognized in governmental activities	(5,637,927)	5,637,927
Decrease to reduce accounts receivable for uncollectible balance	(29,021)	-
Increase to properly recognize net pension asset	495,428	-
Increase to properly recognize activities previously accounted for in fiduciary activities	<u>267,735</u>	<u>216,091</u>
<b>Net assets, January 1, 2004, as restated</b>	<b><u>\$ 24,548,007</u></b>	<b><u>\$ 28,117,477</u></b>

\* \* \* \* \*

## **Required Supplementary Information**

# LENAWEE COUNTY, MICHIGAN

## GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF FUNDING PROGRESS

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (b-a) /c)</b>
1/01/98	\$ 25,472,876	\$ 28,990,058	\$ 3,517,182	87.9 %	\$ 16,292,942	21.6 %
1/01/99	28,861,936	34,298,939	5,437,003	84.1	16,394,322	33.2
1/01/00	31,286,863	38,090,065	6,803,202	82.1	16,501,605	41.2
1/01/01	33,671,164	42,055,911	8,384,747	80.1	17,310,962	48.4
1/01/02	31,310,910	42,970,744	11,659,834	72.9	15,416,295	75.6
1/01/03	30,430,043	44,875,929	14,445,886	67.8	16,367,621	88.3
1/01/04	33,854,728	50,224,035	16,369,307	67.4	16,600,507	98.6

# LENAWEE COUNTY, MICHIGAN

## GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

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<b><u>Year Ended December 31,</u></b>	<b><u>Annual Required Contribution</u></b>	<b><u>Percentage Contributed</u></b>
1998	\$ 783,894	100 %
1999	1,021,428	100
2000	1,230,360	100
2001	1,329,417	100
2002	1,465,050	129
2003	1,669,712	100
2004	1,951,968	100

## LENAWEE COUNTY, MICHIGAN

### GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

#### ADDITIONAL INFORMATION

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The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	January 1, 2004
Actuarial cost method	Entry Age Normal
Amortization method	Open amortization period
Remaining amortization period	20 years
Asset valuation method	Insurance company assigned value
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases *	4.00%
* includes inflation at	2.00%
Cost of living adjustments	n/a



# **Combining and Individual Fund Statements and Schedules**

**LENAWEE COUNTY, MICHIGAN**  
**General Fund**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Amended Budget and Actual**  
**For the Year Ended December 31, 2004**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2003)**

	2004				
	Budgeted Amounts		Actual	Actual Over (Under) Final Budget	2003 Actual
	Original	Final			
<b>Revenue</b>					
Taxes:					
Current real property taxes	\$ 13,468,684	\$ 13,468,684	\$ 13,451,860	\$ (16,824)	\$ 12,951,652
Trailer tax	9,300	9,300	12,767	3,467	12,589
	<u>13,477,984</u>	<u>13,477,984</u>	<u>13,464,627</u>	<u>(13,357)</u>	<u>12,964,241</u>
Licenses and Permits:					
Treasurer	60,000	60,000	63,196	3,196	62,424
Clerk	43,100	43,100	53,454	10,354	39,259
	<u>103,100</u>	<u>103,100</u>	<u>116,650</u>	<u>13,550</u>	<u>101,683</u>
Fines and Forfeits:					
Local ordinances	395,000	482,298	563,575	81,277	447,952
Clerk & District Court	200	200	737	537	412
	<u>395,200</u>	<u>482,498</u>	<u>564,312</u>	<u>81,814</u>	<u>448,364</u>
Use of Money and Property:					
Interest on investments	235,000	235,000	266,215	31,215	246,072
Rent	20,345	20,345	19,145	(1,200)	19,145
	<u>255,345</u>	<u>255,345</u>	<u>285,360</u>	<u>30,015</u>	<u>265,217</u>
State and Federal Grants:					
Probate Judge salary	140,000	140,000	147,393	7,393	147,300
Probate Court - Other	120,000	167,841	179,907	12,066	133,152
Probate Juvenile Officer salary	54,000	54,000	52,776	(1,224)	52,776
Probate Court Juvenile - Other	-	-	11,785	11,785	17,785
District Court	339,748	374,684	408,039	33,355	353,367
Friend of the Court:					
Title IV-D CRP - Federal	740,000	740,000	802,983	62,983	818,452
State supplement	-	-	25,037	25,037	46,156
Medical support - Federal	35,000	35,000	43,709	8,709	51,151
Incentive payments - Federal	100,000	100,000	402,947	302,947	50,055
Other	125,000	125,000	165,760	40,760	134,564

**LENAWEE COUNTY, MICHIGAN**  
**General Fund**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Amended Budget and Actual (Continued)**  
**For the Year Ended December 31, 2004**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2003)**

	2004					2003 Actual
	Budgeted Amounts		Actual	Actual Over (Under) Final Budget		
	Original	Final				
<b>Revenue (continued)</b>						
State and Federal Grants: (Concluded)						
Circuit Court Fund	\$ 88,000	\$ 98,324	\$ 112,981	\$ 14,657	\$ 89,709	
Prosecuting Attorney:						
Title IV-D CRP - Federal	114,726	114,726	101,324	-	101,351	
State supplement	-	-	5,568	5,568	-	
Victims' rights	54,000	54,000	45,298	(8,702)	45,118	
Other	94,249	94,249	99,062	4,813	95,916	
Judicial salary standard pay	91,448	91,448	91,448	-	91,448	
Operation Nightcap	-	14,593	14,593	-	-	
Convention facilities liquor	227,710	227,710	233,187	5,477	232,105	
Cigarette tax	47,732	47,732	56,904	9,172	59,507	
State income and sales tax	1,600,000	783,216	780,922	(2,294)	1,620,010	
State single business tax	211,566	198,053	198,053	-	220,309	
Court costs for children	-	-	2,310	2,310	12,319	
Administration costs	-	-	3,988	3,988	5,010	
Emergency management-Federal	222,000	808,781	73,145	(735,636)	187,116	
Emergency management-State	-	7,500	7,506	6	-	
Body Armor	-	-	-	-	495	
Federal Board of Prisoners	-	-	29,095	29,095	20,306	
Board of Prisoners	2,300	2,300	2,013	(287)	2,347	
	4,407,479	4,279,157	4,097,733	(168,022)	4,587,824	
Charges for Services:						
District Court	1,365,000	1,517,343	1,920,721	403,378	1,633,652	
Civil fees	9,000	9,000	14,478	5,478	12,710	
Friend of the Court - service charges	58,500	58,500	99,249	40,749	95,836	
Probate Court	45,800	45,800	50,074	4,274	51,320	
Treasurer	7,500	7,500	10,444	2,944	9,778	
County Clerk	240,100	240,100	265,113	25,013	238,511	
Register of Deeds	725,700	725,700	1,057,710	332,010	1,234,060	
Computer services	-	-	1,637	1,637	-	
Sheriff - serving papers	12,000	12,000	10,144	(1,856)	11,367	
Sheriff other	1,500	1,500	10,435	8,935	2,036	
Medical Examiner	3,500	3,500	7,901	4,401	5,723	
	2,468,600	2,620,943	3,447,906	826,963	3,294,993	

**LENAWEE COUNTY, MICHIGAN**  
**General Fund**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Amended Budget and Actual (Continued)**  
**For the Year Ended December 31, 2004**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2003)**

	2004					
	Budgeted Amounts			Actual Over (Under)	2003	
	Original	Final	Actual	Final Budget	Actual	
<b>Revenue (concluded)</b>						
Other:						
County Clerk refunds and rebates	\$ 3,500	\$ 3,500	\$ 7,691	\$ 4,191	\$ 4,744	
Other refunds and rebates	8,900	8,900	59,104	50,204	118,100	
Tax billings - municipalities	65,000	65,000	51,308	(13,692)	47,808	
Telephone, postage and other						
general refunds	117,000	253,594	293,411	39,817	257,605	
	194,400	330,994	411,514	80,520	428,257	
Total revenue	21,302,108	21,550,021	22,388,102	838,081	22,090,579	
<b>Other financing sources</b>						
Sale of capital assets	-	27,112	27,112	-	27,539	
Transfers in from other funds	100,677	100,677	832,395	731,718	81,696	
Total other financing sources	100,677	127,789	859,507	731,718	109,235	
Total revenue and other sources	21,402,785	21,677,810	23,247,609	1,569,799	22,199,814	

**LENAWEE COUNTY, MICHIGAN**  
**General Fund**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Amended Budget and Actual (Continued)**  
**For the Year Ended December 31, 2004**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2003)**

	2004					2003 Actual
	Budgeted Amounts		Actual	Actual Over (Under) Final Budget		
	Original	Final				
<b>Expenditures</b>						
Legislative						
Board of Commissioners	\$ 216,387	\$ 221,493	\$ 216,458	\$ 5,035	\$ 218,591	
Judicial						
Circuit Court	573,932	577,729	567,848	9,881	541,003	
Circuit Court Probation	4,315	4,315	4,474	(159)	4,368	
Friend of the Court	1,258,874	1,275,115	1,184,615	90,500	1,189,122	
District Court	1,386,279	1,488,084	1,462,688	25,396	1,333,153	
Probate Court	506,222	519,871	514,735	5,136	509,063	
Probate Court Juvenile	633,447	640,125	660,029	(19,904)	648,767	
Prosecuting Attorney	945,463	962,869	939,615	23,254	930,464	
Prosecuting Attorney - Cooperative Reimbursement	156,473	166,165	148,122	18,043	131,810	
Jury Board	1,836	1,836	1,765	71	1,747	
	5,466,841	5,636,109	5,483,891	152,218	5,289,497	
Public Safety						
Sheriff Department	3,897,230	3,984,956	3,825,786	159,170	3,861,915	
Sheriff Security - Jail	2,387,245	2,634,190	2,729,286	(95,096)	2,448,631	
Drive Michigan Safely	-	14,593	14,591	2	-	
Court Bailiffs	237,999	238,782	210,273	28,509	231,220	
Dog Warden	57,219	58,774	46,672	12,102	72,368	
Animal Control	45,900	45,900	42,303	3,597	37,145	
Medical Examiner	148,443	149,159	116,165	32,994	144,150	
	6,774,036	7,126,354	6,985,076	141,278	6,795,429	
Health and Welfare						
Mental Health	324,682	324,682	324,682	-	324,682	
Substance Abuse	41,004	41,004	41,004	-	44,667	
Veterans Burials	24,626	24,626	16,450	8,176	21,150	
Veterans Affairs	88,146	89,242	87,844	1,398	94,007	
Cooperative Extension	364,488	366,561	295,333	71,228	364,244	
Transportation	41,080	41,080	41,080	-	44,077	
Commission on Aging	6,767	6,767	6,767	-	7,261	
	890,793	893,962	813,160	80,802	900,088	

**LENAWEE COUNTY, MICHIGAN**  
**General Fund**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Amended Budget and Actual (Continued)**  
**For the Year Ended December 31, 2004**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2003)**

	2004					
	Budgeted Amounts			Actual Over (Under)	2003	
	Original	Final	Actual	Final Budget	Actual	
<b>Expenditures (continued)</b>						
Community Enrichment and Development						
Lenawee Tomorrow Corporation	\$ 36,516	\$ 51,516	\$ 51,516	\$ -	\$ 39,180	
General Support Services:						
Administrator	655,247	480,284	417,916	62,368	437,765	
Switchboard	85,447	135,316	108,498	26,818	58,993	
Building and Grounds	576,582	577,235	522,811	54,424	565,625	
Building and Grounds - County Farm	2,500	2,500	2,481	19	2,017	
Utilities	422,765	434,859	419,102	15,757	375,554	
Printing / Purchasing	413,549	416,888	399,048	17,840	405,089	
Data Processing	476,224	485,819	453,708	32,111	468,472	
Insurance and Miscellaneous Bonds	459,952	460,922	457,556	3,366	430,045	
	3,092,266	2,993,823	2,781,120	212,703	2,743,560	
General Government:						
Planning	31,103	31,103	31,726	(623)	34,067	
Clerk	613,685	625,235	575,850	49,385	565,358	
Elections	109,023	109,577	85,910	23,667	46,795	
Treasurer	320,578	324,635	304,565	20,070	311,547	
Register of Deeds	412,716	416,690	315,390	101,300	348,502	
Surveyor	2,282	2,282	1,702	580	2,413	
Plat Board	551	551	755	(204)	429	
Emergency Services	256,574	852,252	116,551	735,701	224,556	
Equalization	447,069	453,170	458,006	(4,836)	472,020	
	2,193,581	2,815,495	1,890,455	925,040	2,005,687	
Public Works:						
Drain at Large	46,682	46,682	46,682	-	35,929	
Soil Conservation	27,503	27,503	27,503	-	29,510	
Mapping	88,685	91,929	98,747	(6,818)	86,081	
River Raisin Watershed	10,032	10,032	10,032	-	10,927	
	172,902	176,146	182,964	(6,818)	162,447	

**LENAWEE COUNTY, MICHIGAN**  
**General Fund**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Amended Budget and Actual (Continued)**  
**For the Year Ended December 31, 2004**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2003)**

	2004				
	Budgeted Amounts		Actual	Actual	2003
	Original	Final		Over (Under) Final Budget	
<b>Expenditures (concluded)</b>					
Other:					
Cigarette tax distribution	\$ 33,693	\$ 40,693	\$ 40,168	\$ 525	\$ 42,005
Human Services Rental Contribution	107,835	121,314	121,314	-	107,835
	141,528	162,007	161,482	525	149,840
 Total expenditures	 18,984,850	 20,076,905	 18,566,122	 1,510,783	 18,304,319
<b>Other financing uses - transfers out</b>					
Special Revenue Funds:					
Parks	15,519	15,519	15,519	-	16,651
Agriculture Committee	27,540	27,540	27,540	-	19,000
County Health	464,117	515,117	515,117	-	497,980
Drain Commission	282,688	282,688	282,688	-	303,313
Marine Law	27,406	27,406	27,406	-	29,854
Central Dispatcher	108,937	108,937	108,937	-	196,054
Law Library	7,303	7,303	7,303	-	7,836
County Library	281,496	281,496	281,496	-	302,034
Child Care - Maurice Spear Campus	1,367,663	1,405,163	1,405,163	-	1,438,071
Family Independence Agency	23,187	23,187	23,187	-	24,879
Child Care - F.I.A.	332,065	332,065	332,065	-	356,293
Others	-	33,151	33,151	-	-
	2,937,921	3,059,572	3,059,572	-	3,191,965
Capital Project Funds:					
Building and Site	150,000	150,000	150,000	-	171,412
Jail Building & Inmate	-	6,129	6,129	-	20,898
	150,000	156,129	156,129	-	192,310

**LENAWEE COUNTY, MICHIGAN**  
**General Fund**  
**Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Amended Budget and Actual (Concluded)**  
**For the Year Ended December 31, 2004**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2003)**

	2004					
	Budgeted Amounts		Actual	Actual	2003 Actual	
	Original	Final		Over (Under) Final Budget		
<b>Other financing uses - transfers out (concluded)</b>						
Enterprise Funds:						
Airport	\$ 59,251	\$ 59,251	\$ 59,251	\$ -	\$ 60,246	
Total other financing uses - transfers out	3,147,172	3,274,952	3,274,952	-	3,444,521	
Total expenditures and other uses	22,132,022	23,351,857	21,841,074	1,510,783	21,748,840	
Revenue and other sources over (under) expenditures and other uses	(729,237)	(1,674,047)	1,406,535	3,080,582	450,974	
Fund balance, beginning of year, as restated	5,343,770	5,343,770	5,343,770	-	4,966,226	
Fund balance, end of year	\$ 4,614,533	\$ 3,669,723	\$ 6,750,305	\$ 3,080,582	\$ 5,417,200	



**LENAWEE COUNTY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2004**

	Special Revenue	366 Building Authority Debt Service- Jail	Capital Projects	Total Nonmajor Governmental Funds
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,557,297	\$ 1,572,745	\$ 637,620	\$ 4,767,662
Taxes receivable	491,704	-	-	491,704
Accounts receivable	156,725	10,887	-	167,612
Due from other governmental units	607,064	-	-	607,064
<b><u>TOTAL ASSETS</u></b>	<b>\$ 3,812,790</b>	<b>\$ 1,583,632</b>	<b>\$ 637,620</b>	<b>\$ 6,034,042</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 115,805	\$ -	\$ 18,997	\$ 134,802
Accrued wages and benefits	164,981	-	-	164,981
Interfund payable	21,176	-	-	21,176
Deferred revenue	693,838	-	-	693,838
Other liabilities	43,750	-	-	43,750
Deposits and trust monies held	61,000	-	-	61,000
Total liabilities	1,100,550	-	18,997	1,119,547
<b>Fund balance</b>				
Unreserved - designated for future expenditures	358,624	-	320,000	678,624
Unreserved - undesignated	2,353,616	1,583,632	298,623	4,235,871
Total fund balance	2,712,240	1,583,632	618,623	4,914,495
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b>\$ 3,812,790</b>	<b>\$ 1,583,632</b>	<b>\$ 637,620</b>	<b>\$ 6,034,042</b>

**LENAWEE COUNTY, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2004**

	Special Revenue	366 Building Authority Debt Service- Jail	Capital Projects	Total Nonmajor Governmental Funds
<b>Revenue</b>				
Taxes and special assessments	\$ 1,832,852	\$ -	\$ -	\$ 1,832,852
Licenses, fees and permits	415,212	-	-	415,212
Use of money and property	1,482	2,943	515	4,940
Federal grants	462,909	-	-	462,909
State grants	2,961,025	-	32,944	2,993,969
Other intergovernmental revenue	1,101,537	-	-	1,101,537
Charges for services	847,257	305,165	10,375	1,162,797
Other	944,165	-	54,866	999,031
Total revenue	8,566,439	308,108	98,700	8,973,247
<b>Expenditures</b>				
Current:				
General government	110,712	-	-	110,712
Judicial	206,367	-	-	206,367
Public safety	1,084,816	-	43,828	1,128,644
Health and welfare	6,398,041	-	-	6,398,041
Community enrichment and development	2,306,772	-	227,580	2,534,352
Debt service:				
Principal	-	325,000	-	325,000
Interest and fiscal charges	-	184,255	-	184,255
Total expenditures	10,106,708	509,255	271,408	10,887,371
Revenue under expenditures	(1,540,269)	(201,147)	(172,708)	(1,914,124)
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	3,900	-	-	3,900
Transfers in:				
County appropriation	2,474,965	-	156,129	2,631,094
Other	81,190	1,463,217	418,700	1,963,107
Transfers (out)	(711,677)	-	(549,377)	(1,261,054)
Total other financing sources	1,848,378	1,463,217	25,452	3,337,047
Net change in fund balances	308,109	1,262,070	(147,256)	1,422,923
Fund balance, beginning of year, as restated	2,404,131	321,562	765,879	3,491,572
<b>Fund balance, end of year</b>	\$ 2,712,240	\$ 1,583,632	\$ 618,623	\$ 4,914,495

**LENAWEE COUNTY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**December 31, 2004**

	208	211	215	223	232	241	243
	Parks	Agriculture Committee	Friend of Court Duties	Lenawee Transportation	Solid Waste	Medical Care Facility Millage	LEPC
<b><u>ASSETS</u></b>							
<b>Assets</b>							
Cash and cash equivalents	\$ 22,742	\$ 27,540	\$ 126,741	\$ -	\$ 243,171	\$ 120,758	\$ 17,229
Taxes receivable	-	-	-	-	-	491,704	-
Accounts receivable	-	-	-	7,994	-	-	-
Due from other governmental units	-	-	-	-	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b>\$ 22,742</b>	<b>\$ 27,540</b>	<b>\$ 126,741</b>	<b>\$ 7,994</b>	<b>\$ 243,171</b>	<b>\$ 612,462</b>	<b>\$ 17,229</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>							
<b>Liabilities</b>							
Accounts payable	\$ 76	\$ -	\$ -	\$ -	\$ 17,525	\$ -	\$ -
Accrued wages and benefits	-	-	-	1,169	1,043	-	-
Interfund payable	-	-	-	6,132	-	-	-
Deferred revenue	-	-	-	-	-	541,308	-
Other liabilities	-	-	-	-	-	-	-
Deposits and trust monies	-	-	-	-	-	-	-
Total liabilities	76	-	-	7,301	18,568	541,308	-
<b>Fund balance</b>							
Unreserved - designated for future expenditures	-	-	-	-	68,608	-	17,200
Unreserved - undesignated	22,666	27,540	126,741	693	155,995	71,154	29
Total fund balance	22,666	27,540	126,741	693	224,603	71,154	17,229
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b>\$ 22,742</b>	<b>\$ 27,540</b>	<b>\$ 126,741</b>	<b>\$ 7,994</b>	<b>\$ 243,171</b>	<b>\$ 612,462</b>	<b>\$ 17,229</b>

<b>244</b> <b>Survey &amp; Remonu- mentation</b>	<b>250</b> <b>Drain</b>	<b>256</b> <b>Register of Deeds Automation</b>	<b>262</b> <b>Community Corrections</b>	<b>263</b> <b>Marine Law</b>	<b>264</b> <b>Central Dispatcher</b>	<b>265</b> <b>Drug Forfeitures</b>	<b>266</b> <b>Law Enforcement Act</b>	<b>269</b> <b>Law Library</b>	<b>270</b> <b>Secondary Road Patrol</b>
\$ -	\$ 114,012	\$ 54,542	\$ 13,310	\$ 20,238	\$ 209,713	\$ 60,987	\$ 65,841	\$ 20,499	\$ 31,274
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
36,184	-	-	16,674	-	71,509	-	-	-	37,395
\$ 36,184	\$ 114,012	\$ 54,542	\$ 29,984	\$ 20,238	\$ 281,222	\$ 60,987	\$ 65,841	\$ 20,499	\$ 68,669
\$ -	\$ 375	\$ -	\$ 12,986	\$ 59	\$ -	\$ -	\$ -	\$ 776	\$ 473
-	24,197	613	641	-	13,412	-	-	280	2,528
15,044	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	43,750	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
15,044	68,322	613	13,627	59	13,412	-	-	1,056	3,001
-	20,331	-	-	3,525	-	50,000	11,000	-	-
21,140	25,359	53,929	16,357	16,654	267,810	10,987	54,841	19,443	65,668
21,140	45,690	53,929	16,357	20,179	267,810	60,987	65,841	19,443	65,668
\$ 36,184	\$ 114,012	\$ 54,542	\$ 29,984	\$ 20,238	\$ 281,222	\$ 60,987	\$ 65,841	\$ 20,499	\$ 68,669

Continued...

**LENAWEE COUNTY, MICHIGAN**  
**Combining Balance Sheet (Concluded)**  
**Nonmajor Governmental Funds**  
**December 31, 2004**

	271	273	288	290	292
	County	COPS	Housing	Social	Child Care -
	Library	Grant	Rehabilitation	Services	Maurice
					Spear
					Campus
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 63,274	\$ 117,603	\$ 42,629	\$ 60,709	\$ 145,427
Taxes receivable	-	-	-	-	-
Accounts receivable	-	-	-	-	148,731
Due from other governmental units	-	-	-	47,210	318,559
<b><u>TOTAL ASSETS</u></b>	<b>\$ 63,274</b>	<b>\$ 117,603</b>	<b>\$ 42,629</b>	<b>\$ 107,919</b>	<b>\$ 612,717</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 8,142	\$ -	\$ -	\$ -	\$ 63,897
Accrued wages and benefits	9,079	-	-	-	47,276
Bank overdraft	-	-	-	-	-
Deferred income	-	-	-	-	108,095
Other liabilities	-	-	-	-	-
Deposits and trust monies	-	-	-	61,000	-
Total liabilities	17,221	-	-	61,000	219,268
<b>Fund balance</b>					
Unreserved - designated for future expenditures	46,053	117,603	-	10,732	-
Unreserved - undesignated	-	-	42,629	36,187	393,449
Total fund balance	46,053	117,603	42,629	46,919	393,449
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b>\$ 63,274</b>	<b>\$ 117,603</b>	<b>\$ 42,629</b>	<b>\$ 107,919</b>	<b>\$ 612,717</b>

<b>294</b> <b>Veterans</b> <b>Trust</b>	<b>296</b> <b>Department</b> <b>on Aging</b>	<b>297</b> <b>F.I.A.</b> <b>Child</b> <b>Care</b>	<b>299</b> <b>Special</b> <b>Projects</b>	<b>604</b> <b>County</b> <b>Disaster</b>	<b>682</b> <b>Lilley</b>	<b>690</b> <b>Agricultural</b> <b>Revolving</b>	<b>Total</b>
\$ 1,139	\$ 864,113	\$ 12,072	\$ 6,494	\$ 100	\$ 45,598	\$ 49,542	\$ 2,557,297
-	-	-	-	-	-	-	491,704
-	-	-	-	-	-	-	156,725
-	39,793	39,740	-	-	-	-	607,064
\$ 1,139	\$ 903,906	\$ 51,812	\$ 6,494	\$ 100	\$ 45,598	\$ 49,542	\$ 3,812,790
\$ 399	\$ 10,889	\$ -	\$ -	\$ -	\$ -	\$ 208	\$ 115,805
-	64,743	-	-	-	-	-	164,981
-	-	-	-	-	-	-	21,176
-	44,435	-	-	-	-	-	693,838
-	-	-	-	-	-	-	43,750
-	-	-	-	-	-	-	61,000
399	120,067	-	-	-	-	208	1,100,550
-	-	7,072	6,500	-	-	-	358,624
740	783,839	44,740	(6)	100	45,598	49,334	2,353,616
740	783,839	51,812	6,494	100	45,598	49,334	2,712,240
\$ 1,139	\$ 903,906	\$ 51,812	\$ 6,494	\$ 100	\$ 45,598	\$ 49,542	\$ 3,812,790

**LENAWEE COUNTY, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balance**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2004**

	208	211	215	223	232	241	243
	Parks	Agriculture	Friend of	Lenawee	Solid	Medical	LEPC
		Committee	Court	Transportation	Waste	Care	
			Duties			Facility	
						Millage	
<b>Revenue</b>							
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 518,782	\$ -
Licenses, fees and permits	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	70
Federal grants	-	-	-	41,743	-	-	-
State grants	-	-	-	221,455	-	-	-
Other intergovernmental revenue	-	-	-	-	-	-	-
Charges for services	-	-	-	-	164,103	-	-
Other	-	-	20,560	61,990	14,517	-	-
Total revenue	-	-	20,560	325,188	178,620	518,782	70
<b>Expenditures</b>							
General government	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Health and welfare	-	-	-	325,187	-	115,363	-
Community enrichment and development	24,274	7,000	-	-	176,792	-	-
Total expenditures	24,274	7,000	-	325,187	176,792	115,363	-
Revenue over (under) expenditures	(24,274)	(7,000)	20,560	1	1,828	403,419	70
<b>Other financing sources (uses)</b>							
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Transfers in:							
County appropriation	15,519	27,540	-	-	-	-	-
Other	-	-	-	-	-	-	-
Transfers (out)	(2,000)	-	(18,000)	-	-	(600,000)	-
Total other financing sources (uses)	13,519	27,540	(18,000)	-	-	(600,000)	-
Net change in fund balances	(10,755)	20,540	2,560	1	1,828	(196,581)	70
Fund balance, beginning of year, as restated	33,421	7,000	124,181	692	222,775	267,735	17,159
<b>Fund balance, end of year</b>	<b>\$ 22,666</b>	<b>\$ 27,540</b>	<b>\$ 126,741</b>	<b>\$ 693</b>	<b>\$ 224,603</b>	<b>\$ 71,154</b>	<b>\$ 17,229</b>

<b>244 Survey &amp; Remonu- mentation</b>	<b>250 Drain</b>	<b>256 Register of Deeds Automation</b>	<b>262 Community Corrections</b>	<b>263 Marine Law</b>	<b>264 Central Dispatcher</b>	<b>265 Drug Forfeitures</b>	<b>266 Law Enforcement Act</b>	<b>269 Law Library</b>	<b>270 Secondary Road Patrol</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	415,212	-	-	-	-
-	-	367	-	-	-	273	-	-	-
-	-	-	-	-	-	-	-	-	-
81,448	-	144,085	200,331	19,900	156,777	-	16,901	-	147,904
-	940,357	-	-	-	-	-	-	6,500	-
-	68,414	-	13,908	-	-	-	31,200	-	-
-	4,761	4	17	248	112,709	55,881	-	-	707
81,448	1,013,532	144,456	214,256	20,148	684,698	56,154	48,101	6,500	148,611
-	-	110,712	-	-	-	-	-	-	-
-	-	-	199,329	-	-	-	-	7,038	-
-	-	-	-	38,326	848,801	27,366	9,603	-	159,935
-	-	-	-	-	-	-	-	-	-
60,308	1,266,861	-	-	-	-	-	-	-	-
60,308	1,266,861	110,712	199,329	38,326	848,801	27,366	9,603	7,038	159,935
21,140	(253,329)	33,744	14,927	(18,178)	(164,103)	28,788	38,498	(538)	(11,324)
-	-	-	-	-	-	-	-	-	3,900
-	282,688	-	-	27,406	108,937	-	-	7,303	-
-	351	30,000	-	-	14,500	-	-	-	-
-	-	(19,000)	-	-	-	-	-	-	-
-	283,039	11,000	-	27,406	123,437	-	-	7,303	3,900
21,140	29,710	44,744	14,927	9,228	(40,666)	28,788	38,498	6,765	(7,424)
-	15,980	9,185	1,430	10,951	308,476	32,199	27,343	12,678	73,092
\$ 21,140	\$ 45,690	\$ 53,929	\$ 16,357	\$ 20,179	\$ 267,810	\$ 60,987	\$ 65,841	\$ 19,443	\$ 65,668

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**LENAWEE COUNTY, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balance (Concluded)**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2004**

	271	273	288	290	292
	County	COPS	Housing	Social	Child Care -
	Library	Grant	Rehabilitation	Services	Maurice
					Spear
					Campus
<b>Revenue</b>					
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	-	-	-	-	-
Use of money and property	-	-	27	-	-
Federal grants	-	-	47,934	-	58,566
State grants	46,301	-	-	381,932	1,078,977
Other intergovernmental revenue	-	-	-	-	154,680
Charges for services	-	-	-	-	109,213
Other	347,143	-	-	-	47,299
Total revenue	393,444	-	47,961	381,932	1,448,735
<b>Expenditures</b>					
General government	-	-	-	-	-
Judicial	-	-	-	-	-
Public safety	-	-	-	-	-
Health and welfare	-	-	-	376,789	2,700,109
Community enrichment and development	671,659	-	52,309	-	-
Total expenditures	671,659	-	52,309	376,789	2,700,109
Revenue over (under) expenditures	(278,215)	-	(4,348)	5,143	(1,251,374)
<b>Other financing sources (uses)</b>					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in:					
County appropriation	281,496	-	-	23,187	1,368,824
Other	-	-	-	-	36,339
Transfers (out)	-	-	-	-	(72,677)
Total other financing sources (uses)	281,496	-	-	23,187	1,332,486
Net change in fund balances	3,281	-	(4,348)	28,330	81,112
Fund balance, beginning of year, as restated	42,772	117,603	46,977	18,589	312,337
<b>Fund balance, end of year</b>	<b>\$ 46,053</b>	<b>\$ 117,603</b>	<b>\$ 42,629</b>	<b>\$ 46,919</b>	<b>\$ 393,449</b>

<b>294 Veterans Trust</b>	<b>296 Department On Aging</b>	<b>297 F.I.A. Child Care</b>	<b>299 Special Projects</b>	<b>604 County Disaster</b>	<b>682 Lilley</b>	<b>690 Agricultural Revolving</b>	<b>Total</b>
\$ -	\$ 1,314,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,832,852
-	-	-	-	-	-	-	415,212
-	-	-	-	-	745	-	1,482
-	311,098	-	3,568	-	-	-	462,909
6,912	458,102	-	-	-	-	-	2,961,025
-	-	-	-	-	-	-	1,101,537
-	424,432	-	-	-	-	35,987	847,257
-	59,544	213,615	-	-	5,170	-	944,165
6,912	2,567,246	213,615	3,568	-	5,915	35,987	8,566,439
-	-	-	-	-	-	-	110,712
-	-	-	-	-	-	-	206,367
-	-	-	785	-	-	-	1,084,816
7,642	2,339,610	533,341	-	-	-	-	6,398,041
-	-	-	-	-	5,068	42,501	2,306,772
7,642	2,339,610	533,341	785	-	5,068	42,501	10,106,708
(730)	227,636	(319,726)	2,783	-	847	(6,514)	(1,540,269)
-	-	-	-	-	-	-	3,900
-	-	332,065	-	-	-	-	2,474,965
-	-	-	-	-	-	-	81,190
-	-	-	-	-	-	-	(711,677)
-	-	332,065	-	-	-	-	1,848,378
(730)	227,636	12,339	2,783	-	847	(6,514)	308,109
1,470	556,203	39,473	3,711	100	44,751	55,848	2,404,131
\$ 740	\$ 783,839	\$ 51,812	\$ 6,494	\$ 100	\$ 45,598	\$ 49,334	\$ 2,712,240

**LENAWEE COUNTY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**December 31, 2004**

	403 Building and Site	404 Airport Public Improvement	405 Maintenance Equipment and Replacement	467 Jail Building & Inmate Maintenance	471 Library Building	Total
<b><u>ASSETS</u></b>						
<b>Assets</b>						
Cash and cash equivalents	\$ 348,620	\$ 9,930	\$ 57,413	\$ 81,299	\$ 140,358	\$ 637,620
<b><u>LIABILITIES AND FUND BALANCE</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 18,099	\$ -	\$ -	\$ 898	\$ -	\$ 18,997
<b>Fund balance</b>						
Unreserved - designated for future expenditures	320,000	-	-	-	-	320,000
Unreserved - undesignated	10,521	9,930	57,413	80,401	140,358	298,623
	330,521	9,930	57,413	80,401	140,358	618,623
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b>\$ 348,620</b>	<b>\$ 9,930</b>	<b>\$ 57,413</b>	<b>\$ 81,299</b>	<b>\$ 140,358</b>	<b>\$ 637,620</b>

**LENAWEE COUNTY, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balance**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended December 31, 2004**

	<b>403</b>	<b>404</b>	<b>405</b>	<b>467</b>	<b>471</b>	
	<b>Building</b>	<b>Airport</b>	<b>Maintenance</b>	<b>Jail Building</b>	<b>Library</b>	
	<b>and Site</b>	<b>Public</b>	<b>Equipment</b>	<b>&amp; Inmate</b>	<b>Building</b>	
		<b>Improvement</b>	<b>and</b>	<b>Maintenance</b>		<b>Total</b>
			<b>Replacement</b>			
<b>Revenue</b>						
Use of money and property	\$ -	\$ 85	\$ -	\$ -	\$ 430	\$ 515
State grants	32,944	-	-	-	-	32,944
Charges for services	-	-	-	10,375	-	10,375
Other	-	5,111	-	27,674	22,081	54,866
Total revenue	32,944	5,196	-	38,049	22,511	98,700
<b>Expenditures</b>						
Public safety	-	-	-	43,828	-	43,828
Community enrichment and development	218,046	(500)	7,230	-	2,804	227,580
Total expenditures	218,046	(500)	7,230	43,828	2,804	271,408
Revenue over (under) expenditures	(185,102)	5,696	(7,230)	(5,779)	19,707	(172,708)
<b>Other financing sources (uses)</b>						
Transfers in:						
County appropriation	150,000	-	-	6,129	-	156,129
Other	383,700	-	35,000	-	-	418,700
Transfers (out)	(543,877)	(5,500)	-	-	-	(549,377)
Total other financing sources (uses)	(10,177)	(5,500)	35,000	6,129	-	25,452
Net change in fund balances	(195,279)	196	27,770	350	19,707	(147,256)
Fund balance, beginning of year	525,800	9,734	29,643	80,051	120,651	765,879
<b>Fund balance, end of year</b>	<b>\$ 330,521</b>	<b>\$ 9,930</b>	<b>\$ 57,413</b>	<b>\$ 80,401</b>	<b>\$ 140,358</b>	<b>\$ 618,623</b>

**LENAWEE COUNTY, MICHIGAN**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**December 31, 2004**

	<b>603</b>		<b>647</b>	<b>692</b>	
	<b>Summer</b>		<b>Equalization</b>	<b>Business</b>	
	<b>Tax</b>		<b>Revolving</b>	<b>Loan</b>	
	<b>Collection</b>		<b>Revolving</b>	<b>Revolving</b>	<b>Total</b>
<hr/>					
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 16,137	\$ -	\$ 1,064,119	\$ 1,080,256	
Accounts receivable	-	50,000	-	50,000	
Total current assets	16,137	50,000	1,064,119	1,130,256	
<b>Other assets</b>					
Loans receivable	-	-	700,000	700,000	
Total assets	16,137	50,000	1,764,119	1,830,256	
<hr/>					
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable	-	18	-	18	
Accrued wages and benefits	1,535	3,423	-	4,958	
Interfund payable	-	41,107	-	41,107	
Total current liabilities	1,535	44,548	-	46,083	
<b>NET ASSETS</b>					
Unrestricted	14,602	5,452	1,764,119	1,784,173	
Total net assets	\$ 14,602	\$ 5,452	\$ 1,764,119	\$ 1,784,173	

**LENAWEE COUNTY, MICHIGAN**  
**Combining Statement of Revenue, Expenses and**  
**Changes in Fund Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2004**

	<b>603</b>		<b>647</b>		<b>692</b>		<b>Total</b>
	<b>Summer</b>		<b>Equalization</b>		<b>Business</b>		
	<b>Tax</b>		<b>Revolving</b>		<b>Loan</b>		
	<b>Collection</b>		<b>Revolving</b>		<b>Revolving</b>		
<b>Operating revenue</b>							
Charges for services	\$ 69,956	\$	215,015	\$	-	\$	284,971
Other	309		400		50,440		51,149
Total operating revenue	70,265		215,415		50,440		336,120
<b>Operating expenses</b>							
Personal services costs	78,374		191,129		-		269,503
Supplies and other operating expenses	11,500		44,875		2,336		58,711
Total operating expenses	89,874		236,004		2,336		328,214
Operating income (loss)	(19,609)		(20,589)		48,104		7,906
<b>Non-operating revenue (expenses)</b>							
Interest income	33,860		-		-		33,860
Transfers to other funds	-		(5,419)		-		(5,419)
Change in net assets	14,251		(26,008)		48,104		36,347
Net assets, beginning of year	351		31,460		1,716,015		1,747,826
<b>Net assets, end of year</b>	<u>\$ 14,602</u>	<u>\$</u>	<u>5,452</u>	<u>\$</u>	<u>1,764,119</u>	<u>\$</u>	<u>1,784,173</u>

**LENAWEE COUNTY, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2004**

	<b>603</b>		<b>647</b>	<b>692</b>	
	<b>Summer</b>		<b>Equalization</b>	<b>Business</b>	
	<b>Tax</b>		<b>Revolving</b>	<b>Loan</b>	
	<b>Collection</b>		<b>Revolving</b>	<b>Revolving</b>	<b>Total</b>
<b>Cash flows from operating activities</b>					
Cash received from customers, residents and users	\$ 76,112	\$ 165,015	\$ -	\$ 241,127	
Other operating receipts	309	400	50,440	51,149	
Cash paid to employees and suppliers	(89,352)	(193,401)	(2,336)	(285,089)	
Net cash provided by (used in) operating activities	(12,931)	(27,986)	48,104	7,187	
<b>Cash flows from non-capital financing activities</b>					
Payments received on loans receivable	-	-	503,038	503,038	
New loans made to businesses	-	-	(700,000)	(700,000)	
Transfers to other funds	-	(5,419)	-	(5,419)	
Net cash provided by (used in) non-capital financing activities	-	(5,419)	(196,962)	(202,381)	
<b>Cash flows from investing activities</b>					
Interest income received	33,860	-	-	33,860	
Net increase (decrease) in cash and cash equivalents	20,929	(33,405)	(148,858)	(161,334)	
Cash and cash equivalents, beginning of year	(4,792)	33,405	1,212,977	1,241,590	
<b>Cash and cash equivalents, end of year</b>	<b>\$ 16,137</b>	<b>\$ -</b>	<b>\$ 1,064,119</b>	<b>\$ 1,080,256</b>	

Continued...

**LENAWEE COUNTY, MICHIGAN**  
**Combining Statement of Cash Flows (Concluded)**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2004**

	<b>603</b>		<b>647</b>		<b>692</b>	
	<b>Summer</b>		<b>Equalization</b>		<b>Business</b>	
	<b>Tax</b>		<b>Revolving</b>		<b>Loan</b>	
	<b>Collection</b>					<b>Total</b>
<b>Balance Sheet Classification of Cash</b>						
Current assets - Cash and cash equivalents	\$ 16,137	\$ -	\$ 1,064,119			\$ 1,080,256
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>						
Operating income (loss)	\$ (19,609)	\$ (20,589)	\$ 48,104			\$ 7,906
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
(Increase) decrease in:						
Accounts receivable	6,156	(50,000)	-			(43,844)
Increase (decrease) in:						
Accounts payable	-	(2)	-			(2)
Accrued wages and benefits	522	1,498	-			2,020
Interfund payable	-	41,107	-			41,107
Net cash provided by (used in) operating activities	\$ (12,931)	\$ (27,986)	\$ 48,104			\$ 7,187



**LENAWEE COUNTY, MICHIGAN**  
**All Agency Funds**  
**Combining Balance Sheet**  
**December 31, 2004**

	<b>Agency Funds</b>				
	<b>701</b>	<b>703</b>	<b>721</b>	<b>889</b>	
	<b>Trust and</b>	<b>Summer Tax</b>	<b>Library</b>	<b>Payroll</b>	
	<b>Agency</b>	<b>Collection</b>	<b>Penal</b>	<b>Clearing</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 5,450,889	\$ 792,013	\$ 308,782	\$ 687,072	\$ 7,238,756
Accounts receivable	80,256	-	-	-	80,256
<b>Total assets</b>	<b>\$ 5,531,145</b>	<b>\$ 792,013</b>	<b>\$ 308,782</b>	<b>\$ 687,072</b>	<b>\$ 7,319,012</b>
<b>Liabilities</b>					
Undistributed fees, taxes and other collections	\$ 5,531,145	\$ 792,013	\$ 308,782	\$ 687,072	\$ 7,319,012

# **Single Audit Act Compliance**

**LENAWEE COUNTY, MICHIGAN**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2004**

Federal Grantor or Pass-Through Agency Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
<b>Passed-through the Region II Area Agency on Aging:</b>			
Title III Elderly Feeding Program	10.558		
Elderly Feeding (Congregate)			\$ 36,855
Elderly Feeding (Home Delivered Meals)			36,856
			<hr/>
<b>Subtotal - Region II Area Agency on Aging</b>			73,711
			<hr/>
<b>Passed-through the Michigan Department of Education:</b>			
National School Lunch	10.555	46-000-8003	35,227
School Breakfast	10.553	46-000-8003	23,339
Food Distributions:			
Entitlement Commodities	10.550	46-000-8003	2,410
Bonus Commodities	10.550	46-000-8003	929
			<hr/>
<b>Subtotal - Michigan Department of Education</b>			61,905
			<hr/>
<b>Total U.S. Department of Agriculture</b>			135,616
			<hr/>
<b>U.S. Department of Health and Human Services</b>			
<b>Passed-through the Region II Area Agency on Aging:</b>			
Aging Cluster			
Title III-B Special Programs for the Aging	93.044		
Outreach			10,345
Senior Center Staffing			12,924
Volunteer Transportation			3,317
Home Care Assistance			23,814
Title III-C Special Programs for the Aging	93.045		
Nutrition Congregate			80,136
Home Delivered Meals			77,310
Title III-D Special Programs for the Aging	93.046		
Disease Prevention			4,293
Title III-E Special Programs for the Aging	93.052		
Kinship Care			19,857
Information and Assistance			1,933
Medicare/Medicaid Assistance Program (MMAP)	93.779		3,458
			<hr/>
<b>Subtotal - Region II Area Agency on Aging</b>			237,387
			<hr/>
<b>Passed-through Michigan Department of Community Health:</b>			
Family Planning	93.217		82,660
Immunization Grants	93.268		
Immunization - IAP			38,818
Vaccine Shipped			301,320

**LENAWEE COUNTY, MICHIGAN**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended December 31, 2004**

Federal Grantor or Pass-Through Agency Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
<b>U.S. Department of Health and Human Services (concluded)</b>			
<b>Passed-through Michigan Department of Community Health (concluded):</b>			
CDC Preventative Investigation Technical Assistance	93.283		
West Nile Supplemental			\$ 5,000
Smallpox Vaccination Administration			2,000
CDI - Smoking Prevention			11,153
CDI - BCCCP			39,506
Bioterrorism			219,524
Medical Assistance Program - Case Management	93.778		13,546
Breast and Cervical Cancer Control Program	93.919		
BCCCP Coordination			50,090
Family Planning - BCCCP			2,500
Maternal & Child Health Services Block Grant	93.994		
MCH Block Grant			48,774
Maternal & Child Health Services Block Grant			27,893
CSHCS Outreach and Advocacy			8,661
MCH Block Grant - Family Planning			49,896
<b>Subtotal - Michigan Department of Community Health</b>			<b>901,341</b>
<b>Passed-through the Michigan Family Independence Agency:</b>			
Title IV-D - CRP Friend of the Court	93.563		802,983
Title IV-D - CRP Prosecuting Attorney	93.563		101,324
Title IV-D - CRP Medical Support Enforcement	93.563		43,709
			948,016
Performance Incentive Payment	93.560		402,947
<b>Subtotal - Michigan Family Independence Agency</b>			<b>1,350,963</b>
<b>Total Department of Health and Human Services</b>			<b>2,489,691</b>
<b>U.S. Department of Housing and Urban Development</b>			
Passed-through the Michigan Department of Commerce - Community Development - Small Cities Program	14.219	MSC-2001-0797-HOA	47,934

**LENAWEE COUNTY, MICHIGAN**  
**Schedule of Expenditures of Federal Awards (Concluded)**  
**For the Year Ended December 31, 2004**

Federal Grantor or Pass-Through Agency Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
<b>U.S. Department of Justice</b>			
Bureau of Justice Assistance:			
SCAAP - State Criminal Alien Assistance Program	16.606		\$ 3,568
Passed-through the Michigan Department of State Police:			
State Homeland Security Exercise Grant	16.007		8,123
State Homeland Security Solution Area Planner	16.007		4,177
Anti-Drug Control - Formula Grant	16.579	70103-9K98	29,095
<b>Total Department of Justice</b>			<b>44,963</b>
<b>U.S. Department of Homeland Security</b>			
Passed-through the Michigan Department of State Police:			
FEMA Homeland Security Equipment Grant	97.004		25,254
FEMA Training Grant	97.004		5,601
<b>Total Department of Homeland Security</b>			<b>30,855</b>
<b>Federal Emergency Management Agency</b>			
Passed-through the Michigan Department of State Police:			
FEMA Emergency Management Performance Grant	83.552		20,785
FEMA Supplemental Funds Grant	83.562		9,205
<b>Total Federal Emergency Management Agency</b>			<b>29,990</b>
<b>U.S. Department of Transportation</b>			
Section 5311	20.509		41,743
<b>Total Expenditures of Federal Awards</b>			<b>\$ 2,820,792</b>

**COUNTY OF LENAWEЕ, MICHIGAN**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of County of Lenawee, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**2. FISCAL YEAR**

Federal expenditures reported on the accompanying schedule of expenditures of federal awards include certain amounts that are reported for the year ended September 30, 2004 to coincide with the fiscal year of the fund in which the expenditures are reported. The funds passed through the Region II Area Agency on Aging and the Michigan Department of Community Health are presented for the year ended September 30, 2004.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF PRIMARY GOVERNMENT  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

March 11, 2005

Board of Commissioners  
Lenawee County  
Adrian, Michigan

We have audited the financial statements of *County of Lenawee, Michigan*, as of and for the year ended December 31, 2004, and have issued our report thereon dated March 11, 2005. In our report our opinion was qualified as follows. The primary government financial statements, because they do not include the financial data of component units of County of Lenawee, Michigan, do not purport to, and do not, present fairly the financial position of County of Lenawee, Michigan, as of December 31, 2004, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America. We did not audit the financial statements of the Medical Care Facility Enterprise Fund which is a major fund. In addition, the Medical Care Facility represents 26% and 79% of the business-type activity assets and program revenues, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Medical Care Facility, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lenawee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over compliance, financial reporting and/or operating efficiency that we have reported to management of Lenawee County in a separate letter dated March 11, 2005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lenawee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board of Commissioners, others within the organization, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.





**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

March 11, 2005

Board of Commissioners  
Lenawee County  
Adrian, Michigan

**Compliance**

We have audited the compliance of ***County of Lenawee, Michigan***, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2004. Lenawee County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lenawee County's management. Our responsibility is to express an opinion on Lenawee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lenawee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lenawee County's compliance with those requirements.

In our opinion, Lenawee County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2004.

### **Internal Control Over Compliance**

The management of Lenawee County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lenawee County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

In our report our opinion was qualified as follows. The primary government financial statements, because they do not include the financial data of component units of County of Lenawee, Michigan, do not purport to, and do not, present fairly the financial position of County of Lenawee, Michigan, as of December 31, 2004, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Medical Care Facility Enterprise Fund which is a major fund. In addition, the Medical Care Facility represents 26% and 79% of the business-type activity assets and program revenues, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Medical Care Facility, is based solely on the report of the other auditors.

This report is intended solely for the information and use of the audit committee, management, the Board of Commissioners, others within the organization, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Lehmann Johnson".

**COUNTY OF LENAWEE, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued:	<u>Qualified for omission of component units</u>
	<u>Unqualified for primary government financial statements</u>

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes <u>  X  </u> no
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Reportable condition(s) identified not considered to be material weaknesses?	_____ yes <u>  X  </u> none reported
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Noncompliance material to financial statements noted?	_____ yes <u>  X  </u> no
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**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified?	_____ yes <u>  X  </u> no
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Reportable condition(s) identified not considered to be material weaknesses?	_____ yes <u>  X  </u> none reported
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Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	_____ yes <u>  X  </u> no
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**COUNTY OF LENAWE, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)**

**FOR THE YEAR ENDED DECEMBER 31, 2003**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)**

Identification of major programs:

<u><b>CFDA Number(s)</b></u>	<u><b>Name of Federal Program or Cluster</b></u>
93.563	Child Support Enforcement -Title IV-D
93.560	Performance Incentive Payment

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes        no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

\* \* \* \* \*



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



March 11, 2005

To the Board of Commissioners of the  
Lenawee County  
Adrian, Michigan

We have audited the financial statements of Lenawee County for the year ended December 31, 2004, and have issued our report thereon dated March 11, 2005. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated January 11, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Lenawee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Lenawee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Lenawee County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Lenawee County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Lenawee County's compliance with those requirements.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lenawee County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Lenawee County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Lenawee County's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Lenawee County, either individually or in the aggregate, indicate matters that could have a significant effect on Lenawee County's financial reporting process.

In addition, the following summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Accounts payable in the amount of \$7,210 was recorded that does not meet the requirements for accrual. As a result of this entry, accounts payable, due from other governments (for the resulting grant reimbursement), revenue and expenditures were each overstated in the Health Department Special Revenue Fund by \$7,210.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Lenawee County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", written in a cursive style.

# **LENAWEE COUNTY**

## **Comments and Recommendations**

**For the Year Ended December 31, 2004**

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During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated March 11, 2005, on the financial statements of Lenawee County.

### **Accounting for the Department on Aging**

The Department on Aging is currently maintaining a completely separate accounting system to record the same transactions that are recorded on the County's general ledger. Historically, this has been done due to the fact that the Department on Aging reports on a different fiscal year end than the County. This process is a significant doubling of efforts and has led to numerous adjusting entries required at the end of the audit periods. The County should consider consolidating the Department on Aging's accounting system with the County financial accounting system in order to streamline the process.

### **Jail Commissary and Inmate Trust Activities**

The County sheriff's department maintains an inmate trust bank account to hold money held for inmates. However, this account is also used to account for jail commissary activities. The activities of the jail commissary should be segregated from the inmate trust accounts, reconciliations of individual inmate accounts to the bank/general ledger balance should be performed on a monthly basis, and these activities should be recorded on the general ledger in separate funds.

### **Payments to River Raisin Watershed**

Over the years, and including the year ended December 31, 2004, the County has paid over amounts representing "dues" to the River Raisin Watershed, a non-profit organization. These payments are based on an allocation formula devised by the organization. There is presently no contract or apparent basis for the payments made by the County general fund to this organization.

We recommend that the County obtain a work or project plan from the organization that establishes benefits to be received by the County, in order to continue the annual payments to the River Raisin Watershed, and to enhance the position that the payments are legal County expenditures.

### **FIA Child Care Fund #297**

We noted that the documentation that the FIA provides to the County accounts payable department is not complete for periodic check requests on the County account in order the pay its child care bills. In order to provide a complete and meaningful audit trail, we recommend that the FIA Child Care fund provide the County at a minimum a check register including the check #, the payee, and the amount.



# **LENAWEE COUNTY**

## **Comments and Recommendations**

**For the Year Ended December 31, 2004**

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### **Property Tax Distributions/Reconciliation of Agency Fund Accounts**

For the year ended December 31, 2004, we noted balances in certain Agency Fund accounts that had not been reconciled. All balance sheet accounts on the County's general ledger should be reconciled on a periodic basis.

The County maintains liability accounts in Fund 703 to account for the collection of State Education Tax receipts received from local units that are then remitted to the State of Michigan on a monthly basis. During the year ended December 31, 2004, the County overlooked the payment to the State for the month's of March and April for one of the municipalities and did not discover the oversight until our examination of the accounts during fieldwork. We recommend that the County perform reconciliations of these accounts on a monthly basis to ensure that timely payments are made in accordance with State requirements.

### **Credit Card Policy**

We noted that the County had not adopted a credit card policy meeting the criteria of P.A. 266 of 1995 (MCL 129.241). This condition is expected to be resolved in 2005 as the Board is considering wording incorporating all required elements of the Public Act.

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